

Town of Franklinton
Annual Financial Statements
As of and for the Year Then
Ended October 31, 2006
With Supplemental Information Schedules

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-6-07

Town of Franklinton
Annual Financial Statements
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With Supplemental Information Schedules

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The Honorable Mayor, Earle R. Brown
and Board of Aldermen
Town of Franklinton, Louisiana

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of **TOWN OF FRANKLINTON, LOUISIANA** (the Town), as of and for the year ended October 31, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of **TOWN OF FRANKLINTON, LOUISIANA's** management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of **TOWN OF FRANKLINTON, LOUISIANA**, as of October 31, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 9 through 18 and the budgetary comparison schedules on pages 59 through 65 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise **TOWN OF FRANKLINTON, LOUISIANA's** basic financial statements. The accompanying other supplemental information listed in the table of contents under Other Supplemental Schedules and identified as Schedule 4 through Schedule 23, and the Schedule of Expenditures of Federal Awards, which is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all materials respects, in relation to the basic financial statements taken as a whole.

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2007, on our consideration of **TOWN OF FRANKLINTON, LOUISIANA's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.



A Professional Accounting Corporation

March 1, 2007

Required Supplemental Information (Part I)
Management's Discussion and Analysis

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2006

Introduction

The Town of Franklinton, Louisiana (the Town) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards.

The Town's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position, (d) identify any significant variations from the Town's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Town's financial statements.

Financial Highlights

- At October 31, 2006, the Town's assets exceeded its liabilities by \$9,412,269 (net assets). Of this amount, \$4,565,166 (unrestricted net assets) may be used to meet the Town's ongoing obligations to its citizens.
- The most significant on-going continuing revenue sources for governmental activities of the Town consisted of \$2,170,145 in sales tax revenues, \$308,776 in property taxes, \$200,739 in public utility franchise taxes, and \$351,064 for business licenses and permits. Charges for business-type activities of the utility fund were \$1,347,855 in gas charges, \$442,332 in water charges and \$450,499 in sewer charges.
- The Town's significant expenditures in the current year were related to Hurricane Katrina damage repairs. Accrual of revenues and expenditures for Hurricane Katrina resulted in a receivable (Due From) accrued at fiscal year end of \$4,175,000, and a payable of \$3,831,592 accrued at fiscal year end for expenditures related to Katrina. As indicated in Footnote 20 (Contingent Liabilities), the Federal Emergency Management Administration (FEMA) has not made a final determination on the payment of claims, and the non-payment of these claims could adversely affect the provision of services by the Town of Franklinton.
- For the year ended October 31, 2006, the Town's bonds payable in long term debt for the proprietary fund increased by \$873,514, due primarily to additional debt incurred for additions to the Section Line Road - Industrial Park Sewer Improvements.

Overview of the Annual Financial Report

The financial statement focus is on both the Town as a whole and on the major individual funds. Both perspectives, government-wide and major funds, allow the user to address relevant questions, broaden a basis for comparison, and enhance the Town's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The MD&A is intended to serve as an introduction to the Town's basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2006

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. Governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support are presented in separate columns along with a total column for the primary government. If the Town determines that presentation of a component unit (which are other governmental units for which the Town can exercise significant influences or for which the Primary Government financial statements would be misleading if component unit information is not presented) is necessary to allow the reader to determine the relationship of the component unit and primary government, the component unit information is presented in a separate column of the financial statements or in a separate footnote. For the current fiscal year, the Town of Franklinton has no component units.

The Statement of Net Assets presents information on the Town's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net assets. Over time, the increases or decreases in net assets and changes in the components of net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the Town's general tax and other revenues. This is intended to summarize and simplify the reader's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

In both of the government-wide financial statements, the Town's activities are divided into two types:

Governmental activities - Most of the Town's basic services are reported here, including general government, public safety, streets and sanitation, health and welfare, and culture and recreation. These activities are financed primarily by property taxes, franchise taxes, sales taxes, fire insurance rebates, and fines.

Business-type activities - The Town charges a fee to customers to help it cover all of the cost of the services provided. The Town's water, natural gas, and sewer utility systems are reported in this section.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule, if applicable, are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2006

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The Town uses two categories of funds to account for financial transactions: governmental funds and proprietary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental funds are used to account for most of the Town's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

Proprietary funds account for water, natural gas, and sewer utility services provided by the Town to its customers. Proprietary funds statements provide the same type of information as the government-wide financial statements, but the fund presentation provides more detail.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the Town's more immediate decisions on the current use of financial resources. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2006

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net assets for the current year as compared to the prior year.

Net Assets
2006 and 2005

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Assets:						
Current and Other Assets	\$ 7,497,110	\$ 3,277,552	\$ 2,801,991	\$ 2,408,419	\$ 10,299,101	\$ 5,685,971
Capital Assets	4,979,595	5,139,447	3,937,160	3,277,696	8,916,755	8,417,143
Total Assets	<u>12,476,705</u>	<u>8,416,999</u>	<u>6,739,151</u>	<u>5,686,115</u>	<u>19,215,856</u>	<u>14,103,114</u>
Liabilities:						
Long-Term Debt Outstanding	2,393,822	2,746,724	2,524,280	1,667,688	4,918,102	4,414,412
Other Liabilities	4,533,799	1,192,484	351,686	332,299	4,885,485	1,524,783
Total Liabilities	<u>6,927,621</u>	<u>3,939,208</u>	<u>2,875,966</u>	<u>1,999,987</u>	<u>9,803,587</u>	<u>5,939,195</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	2,401,312	2,193,705	1,581,386	1,620,817	3,982,698	3,814,522
Restricted	751,440	726,271	105,840	79,366	857,280	805,637
Unrestricted	2,396,332	1,557,815	2,175,959	1,985,945	4,572,291	3,543,760
Total Net Assets	<u>\$ 5,549,084</u>	<u>\$ 4,477,791</u>	<u>\$ 3,863,185</u>	<u>\$ 3,686,128</u>	<u>\$ 9,412,269</u>	<u>\$ 8,163,919</u>

Approximately forty-two percent of the Town's net assets reflect its investment in capital assets (land, buildings, equipment, infrastructure, and improvements) net of any outstanding related debt used to acquire those capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Approximately nine percent of the Town's net assets represent resources that are subject to external restriction on how they may be used. The Town's restricted net assets primarily consist of cash for capital projects in governmental activities and cash reserves required for customer deposits in business-type activities net of corresponding liabilities.

Approximately forty-nine percent of the Town's net assets are unrestricted and may be used to meet the Town's ongoing obligations to its citizens.

At the end of the current fiscal year, the Town was able to report positive balances in all three categories of net assets, both for the Town as a whole, as well as for separate governmental and business-type activities. However, any possible non-payment of claims as noted in *Footnote 20 (Contingent Liabilities)*, would reduce the funds available for day-to-day operations, and would reduce unrestricted net assets. Accrual of revenues and expenditures for Hurricane Katrina resulted in a receivable (Due From) accrued at fiscal year end of \$4,175,000, and a payable of \$3,831,592 accrued at fiscal year end for expenditures related to Katrina.

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2006

The Town's activities increased its total net assets by \$1,248,350, with governmental activities increasing net assets by \$1,071,293 and business-type activities increasing net assets by \$177,057. There was a prior period adjustment due to previously unrecorded interest on long term debt of \$59,708.

In order to further understand what makes up the changes in net assets, the following table provides a summary of the results of the Town's activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table.

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2006

Changes in Net Assets
For the years ended October 31, 2006 and 2005

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	\$ 549,806	\$ 482,248	\$ 2,240,686	\$ 2,017,399	\$ 2,790,492	\$ 2,499,647
Capital Grants and Contributions	148,041	54,129	100,000	-	248,041	54,129
General Revenues:						
Taxes	2,679,660	2,208,197	-	-	2,679,660	2,208,197
Intergovernmental	7,720,736	2,238,023	-	-	7,720,736	2,238,023
Unrealized Gain (Loss)	(1,098)	(1,079)	(212)	(32,433)	(1,310)	(33,512)
Interest Income	108,848	54,421	109,306	80,801	218,154	135,222
Donations	-	129,573	-	-	-	129,573
Miscellaneous	33,515	41,354	28,407	8,148	61,922	49,502
Gain on Sale of Assets	96,801	20,383	-	-	96,801	20,383
Total Revenues	11,336,309	5,227,249	2,478,187	2,073,915	13,814,496	7,301,164
Expenses:						
General Government	876,136	804,024	-	-	876,136	804,024
Public Safety	1,293,071	1,392,201	-	-	1,293,071	1,392,201
Public Works	7,563,714	2,040,408	-	-	7,563,714	2,040,408
Sanitation	120,055	126,353	-	-	120,055	126,353
Health and Welfare	198,317	328,760	-	-	198,317	328,760
Transportation	5,151	11,186	-	-	5,151	11,186
Amortization	1,791	1,791	-	-	1,791	1,791
Bond Interest Expense	118,987	144,091	-	-	118,987	144,091
Capital Lease Interest	85	190	-	-	85	190
Water, Gas, and Sewer Utility	-	-	2,388,839	2,112,952	2,388,839	2,112,952
Total Expenses	10,177,307	4,849,004	2,388,839	2,112,952	12,566,146	6,961,956
Change in Net Assets Before Transfers and Contributions	1,159,002	378,245	89,348	(39,037)	1,248,350	339,208
Transfers (Out) In	(87,709)	317,843	87,709	(317,843)	-	-
Capital Contributions	-	-	-	-	-	-
Change in Net Assets	1,071,293	696,088	177,057	(356,880)	1,248,350	339,208
Net Assets, Beginning	4,537,499	3,841,411	3,686,128	4,043,008	8,223,627	7,884,419
Prior Period Adjustments	(59,708)	-	-	-	(59,708)	-
Net Assets, Beginning-Restated	4,477,791	3,841,411	3,686,128	4,043,008	8,163,919	7,884,419
Net Assets, Ending	\$ 5,549,084	\$ 4,537,499	\$ 3,863,185	\$ 3,686,128	\$ 9,412,269	\$ 8,223,627

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2006

Governmental Activities

The Town's governmental net assets increased by \$1,071,293, or twenty four percent of the prior year ending net assets, to \$5,549,084. However, the major changes were a \$5,482,713 increase in intergovernmental revenues and an increase of \$5,523,306 in the public works expense category. The primary increase, as noted, relates to FEMA accruals and expenditures incurred for Katrina damage repairs.

Business-Type Activities

The Town's business-type net assets increased by \$177,057, or five percent of the prior year ending net assets, to \$3,863,185.

The major factor contribution to the increase in net assets was an increase in sales of \$404,272, with only an increase of \$275,887 in expenses. An additional reason for the increase was that the Town managed the transfer of funds from the utility fund, transferring only available funds.

Fund Financial Analysis

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

At the end of the current year, the Town's governmental funds reported combined ending fund balances of \$3,389,642, \$251,497 of which is reserved for capital projects, \$450,665 reserved for debt service, and \$2,687,480 of which is unreserved and available for spending at the Town's discretion.

This represents an increase of \$886,660 from the prior year's ending balances, although as noted the positive increases are dependent on whether or not the Town is reimbursed for Hurricane Katrina damages. The general fund is the chief operating fund of the Town. At the end of the current year, the total fund balance for the general fund was \$985,463, all of which was unreserved.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2006

Governmental Fund Budgetary Highlights

There were no budget findings for the General Fund indicating that either budgeted revenues and other sources exceeded actual revenues and other sources by over 5%, or actual expenditures and other uses exceeded budgeted revenues and other sources or expenditures and other uses by more than 5. However, *Footnote 2 – Stewardship, Compliance, and Accountability* lists several budget findings for other governmental funds. The original budget for the General Fund was amended primarily for anticipated revenues to be received from FEMA and the related liabilities incurred related to Hurricane Katrina damages. The reader should refer to *Footnote 20 – Contingent Liabilities*, for a discussion of how payment or non-payment of these liabilities will affect overall financial stability of the Town.

Capital Assets and Debt Administration

Capital Assets

The Town elected early implementation of GASB 34 in the fiscal year ending December 31, 2002. However, as a Phase III government (a government with annual revenues of less than \$10 million), the Town elected not to retroactively report infrastructure assets prior to implementation. Historically, a government's largest group of assets, infrastructure assets (roads, bridges, street lighting, etc.) have not been reported nor depreciated in governmental financial statements. Beginning with the fiscal year ended December 31, 2002, these assets are now valued and reported within the governmental activities column of the government-wide financial statements.

The Town's investment in capital assets for its governmental and business-type activities as of October 31, 2006 amounts to \$8,916,755 (net of depreciation). The total increase in the Town's investment in capital assets for the current fiscal year was \$499,612 (net of depreciation).

The following table provides a summary of the Town's capital assets (net of depreciation) at the end of the current year as compared to the prior year.

Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2006

Capital Assets (Net of Depreciation)
2006 and 2005

Capital Assets	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 594,527	\$ 645,130	\$ 3,300	\$ 3,300	\$ 597,827	\$ 648,430
Buildings and Improvements	4,361,628	4,361,628	-	-	4,361,628	4,361,628
Office Furniture and Equipment	125,523	110,556	-	-	125,523	110,556
Machinery and Equipment	1,150,479	940,370	-	-	1,150,479	940,370
Vehicles	864,737	842,417	-	-	864,737	842,417
Infrastructure	74,140	74,140	-	-	74,140	74,140
Water Utility System	-	-	1,029,227	1,026,419	1,029,227	1,026,419
Gas Utility System	-	-	2,552,638	2,522,306	2,552,638	2,522,306
Sewer Utility System	-	-	6,361,316	5,401,036	6,361,316	5,401,036
Subtotal Capital Assets	7,171,034	6,974,241	9,946,481	8,953,061	17,117,515	15,927,302
Less: Accumulated Depreciation	(2,191,439)	(1,834,794)	(6,009,321)	(5,675,365)	(8,200,760)	(7,510,159)
Capital Assets, Net	\$ 4,979,595	\$ 5,139,447	\$ 3,937,160	\$ 3,277,696	\$ 8,916,755	\$ 8,417,143

Significant capital additions for the fiscal year ending October 31, 2006, consisted of the following:

- For governmental funds, Machinery & Equipment increased by \$210,109, with the primary addition a purchase totaling \$155,457 under a FEMA grant program for radio equipment for the fire department. Vehicles increased by \$22,320, primarily from purchases for the Police Department. The Land category decreased by \$50,603 with the sale of Industrial Development properties.
- For business-type funds, the major increase was \$960,280 for the sewer system, consisting primarily of construction in progress improvements of \$873,647 for the Section Line Road – Industrial Park Sewer Improvements. More detail on this transaction is included in *Footnote 7 Capital Assets* and *Footnote 22 Subsequent Events*.

**Town of Franklinton
Management's Discussion and Analysis
As of and for the Year Ended October 31, 2006**

Long-Term Debt

At October 31, 2006, the Town had total debt outstanding of \$5,057,756. Of this total, \$415,947 (including current bond and leases payable) is due within one year and \$4,641,809 is due within greater than one year. The following table provides a summary of the Town's outstanding debt at the end of the current year as compared to the prior year.

**Outstanding Debt
2006 and 2005**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Capital Leases	\$ 13,363	\$ 20,034	\$ -	\$ -	\$ 13,363	\$ 20,034
Revenue Bonds	2,514,000	2,866,000	2,530,393	1,656,879	5,044,393	4,522,879
Total Outstanding Debt	<u>\$ 2,527,363</u>	<u>\$ 2,886,034</u>	<u>\$ 2,530,393</u>	<u>\$ 1,656,879</u>	<u>\$ 5,057,756</u>	<u>\$ 4,542,913</u>

Other Factors Affecting the Town

The Town of Franklinton's management approach is conservative. When possible, the Mayor and Aldermen attempt to provide services for the Town based on existing revenues and to finance long-term projects only when absolutely necessary. The Town actively pursues grant funds to minimize the cost of major projects to its citizens. The Town also attempts to keep utility rates at the minimum required to cover the costs of utility system operation. However, gas system rates are largely dependent on the amounts charged the Town for the cost of gas sold.

Contacting the Town's Financial Management

This financial report is designed to provide the Town's citizens, taxpayers, creditors and investors with a general overview of the Town's finances and show the Town's accountability for the money it receives. If you have questions regarding this report or need additional information, contact the Town at 301 11th Avenue, Franklinton, LA 70438. The phone number for the Town is (985) 839-3560.

Basic Financial Statements

Government-Wide Financial Statements

Statement A

Town of Franklinton
Statement of Net Assets
As of October 31, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 1,751,378	\$ 225,599	\$ 1,976,977
Investments	292,343	1,721,660	2,014,003
Receivables, Net:			
Intergovernmental	4,487,678	-	4,487,678
Accounts	24,518	256,188	280,706
Franchise Taxes	60,418	-	60,418
Due From Other Funds	8,646	6,050	14,696
Inventory	20,393	106,016	126,409
Bond Issue Cost, Net	10,007	7,030	17,037
Prepaid Insurance	90,289	27,176	117,465
Total Current Assets	6,745,670	2,349,719	9,095,389
Restricted Assets:			
Restricted Cash and Cash Equivalents	751,440	377,272	1,128,712
Restricted Investments	-	75,000	75,000
Total Restricted Assets	751,440	452,272	1,203,712
Capital Assets:			
Land	594,527	3,300	597,827
Capital Assets, Net	4,385,068	3,933,860	8,318,928
Total Capital Assets	4,979,595	3,937,160	8,916,755
Total Assets	12,476,705	6,739,151	19,215,856
Liabilities			
Current Liabilities:			
Accounts Payable	4,013,133	68,327	4,081,460
Other Accrued Payables	41,128	53,374	94,502
Due To Other Governments	10,018	-	10,018
Due To Other Funds	6,050	8,646	14,696
Customer Deposits	-	164,688	164,688
Bonds Payable	370,000	40,536	410,536
Capital Leases	5,411	-	5,411
Compensated Absences Payable	37,139	8,990	46,129
Accrued Interest on Long Term Debt	50,920	7,125	58,045
Total Current Liabilities	4,533,799	351,686	4,885,485
Long Term Liabilities:			
Bonds Payable	2,144,000	2,489,857	4,633,857
Capital Leases	7,952	-	7,952
Compensated Absences Payable	241,870	34,423	276,293
Total Long Term Liabilities	2,393,822	2,524,280	4,918,102
Total Liabilities	6,927,621	2,875,966	9,803,587
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,401,312	1,581,386	3,982,698
Restricted for:			
Capital Projects and Debt Service	751,440	105,840	857,280
Unrestricted	2,396,332	2,175,959	4,572,291
Total Net Assets	\$ 5,549,084	\$ 3,863,185	\$ 9,412,269

The accompanying notes are an integral part of these financial statements.

Town of Franklinton
Statement of Activities
For the year ended October 31, 2006

	Expenses	Charges for Services	Program Revenues	
			Operating Grants & Contributions	Capital Grants & Contributions
Governmental Activities				
General Government	\$ 876,136	\$ 351,064	\$ -	\$ 6,621
Public Safety	1,293,071	56,692	-	141,420
Public Works	7,563,714	-	-	-
Sanitation	120,055	142,050	-	-
Health and Welfare	198,317	-	-	-
Transportation	5,151	-	-	-
Amortization	1,791	-	-	-
Bond Interest Expense	118,987	-	-	-
Capital Lease Interest	85	-	-	-
Total Governmental Activities	<u>10,177,307</u>	<u>549,806</u>	<u>-</u>	<u>148,041</u>
Business-type Activities				
Gas	1,374,161	1,347,855	-	-
Water	444,555	442,332	-	-
Sewer	570,123	450,499	-	100,000
Total Business-type Activities	<u>\$ 2,388,839</u>	<u>\$ 2,240,686</u>	<u>\$ -</u>	<u>\$ 100,000</u>

General Revenues:

Taxes:

Property Taxes

Sales Taxes

Franchise Taxes

Intergovernmental

Unrealized Gain (Loss)

Interest Income

Miscellaneous

Operating Transfers In (Out)

Gain on Sale of Assets

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustments (Note 17)

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of these financial statements.

Statement B

Net (Expenses) Revenues and Changes of Primary Government			
Net (Expenses) Revenues	Governmental Activities	Business- Type Activities	Total
\$ (518,451)	\$ (518,451)	\$ -	\$ (518,451)
(1,094,959)	(1,094,959)	-	(1,094,959)
(7,563,714)	(7,563,714)	-	(7,563,714)
21,995	21,995	-	21,995
(198,317)	(198,317)	-	(198,317)
(5,151)	(5,151)	-	(5,151)
(1,791)	(1,791)	-	(1,791)
(118,987)	(118,987)	-	(118,987)
(85)	(85)	-	(85)
<u>(9,479,460)</u>	<u>(9,479,460)</u>	<u>-</u>	<u>(9,479,460)</u>
(26,306)	-	(26,306)	(26,306)
(2,223)	-	(2,223)	(2,223)
(19,624)	-	(19,624)	(19,624)
\$ <u>(48,153)</u>	<u>-</u>	<u>(48,153)</u>	<u>(48,153)</u>
	308,776	-	308,776
	2,170,145	-	2,170,145
	200,739	-	200,739
	7,720,736	-	7,720,736
	(1,098)	(212)	(1,310)
	108,848	109,306	218,154
	33,515	28,407	61,922
	(87,709)	87,709	-
	96,801	-	96,801
	<u>10,550,753</u>	<u>225,210</u>	<u>10,775,963</u>
	<u>1,071,293</u>	<u>177,057</u>	<u>1,248,350</u>
	4,537,499	3,686,128	8,223,627
	(59,708)	-	(59,708)
	<u>4,477,791</u>	<u>3,686,128</u>	<u>8,163,919</u>
\$	<u>5,549,084</u>	\$ <u>3,863,185</u>	\$ <u>9,412,269</u>

Basic Financial Statements

Fund Financial Statements

Town of Franklinton
Balance Sheet, Governmental Funds
As of October 31, 2006

	General Fund	Street and Drainage Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 368,435	\$ 654,125	\$ 728,818	\$ 1,751,378
Investments	214,151	-	78,192	292,343
Receivables, Net				
Intergovernmental	4,405,595	41,043	41,040	4,487,678
Accounts	24,518	-	-	24,518
Franchise Taxes	60,418	-	-	60,418
Due From Other Funds	144,691	10,869	293,108	448,668
Inventory	20,393	-	-	20,393
Bond Issue Cost, Net	-	5,002	5,005	10,007
Prepaid Insurance	90,289	-	-	90,289
Restricted Cash	15,722	-	735,718	751,440
Total Assets	\$ 5,344,212	\$ 711,039	\$ 1,881,881	\$ 7,937,132
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 4,006,925	\$ -	\$ 6,208	\$ 4,013,133
Compensated Absences	37,139	-	-	37,139
Other Accrued Expenses	41,128	-	-	41,128
Due to Other Governments	10,018	-	-	10,018
Due to Other Funds	263,539	-	182,533	446,072
Total Liabilities	4,358,749	-	188,741	4,547,490
Fund Balances:				
Unreserved Fund Balances	985,463	711,039	990,978	2,687,480
Reserved Fund Balances	-	-	702,162	702,162
Total Fund Balances	985,463	711,039	1,693,140	3,389,642
Total Liabilities and Fund Balances	\$ 5,344,212	\$ 711,039	\$ 1,881,881	\$ 7,937,132

The accompanying notes are an integral part of these financial statements.

Town of Franklinton
 Reconciliation of the Governmental Funds Balance Sheet
 to the Government-Wide Financial Statement of Net Assets
 As of October 31, 2006

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balances, Total Governmental Funds (Statement C)	\$	3,389,642
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Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.

Governmental capital assets net of depreciation		4,979,595
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Long-term liabilities including bonds payable, loans payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds. Current accrued interest on long term debt is also not reported in the governmental funds.

Bonds Payable		(2,514,000)
Capital Leases Payable		(13,363)
Compensated Absences Payable		(241,870)
Accrued Interest on Long Term Debt		(50,920)
Net Assets of Governmental Activities (Statement A)	\$	5,549,084

The accompanying notes are an integral part of these financial statements.

Statement E

Town of Franklinton
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the year ended October 31, 2006

	<u>General Fund</u>	<u>Streets and Drainage Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 1,415,847	540,364	\$ 723,449	\$ 2,679,660
Licenses and Permits	351,064	-	-	351,064
Intergovernmental	7,869,348	-	-	7,869,348
Charges for Services	142,050	-	-	142,050
Fines and Forfeitures	56,692	-	-	56,692
Unrealized Gain (Loss)	-	-	(1,098)	(1,098)
Interest	25,757	21,882	61,209	108,848
Miscellaneous	32,944	-	-	32,944
Total Revenues	<u>9,893,702</u>	<u>562,246</u>	<u>783,560</u>	<u>11,239,508</u>
Expenditures				
General Government	783,417	-	49,159	832,576
Public Safety:				
Police	859,449	-	59,193	918,642
Fire	174,666	-	16,677	191,343
Public Works	7,315,715	239	21,908	7,337,862
Sanitation	120,055	-	-	120,055
Health and Welfare	195,263	-	3,054	198,317
Transportation	5,151	-	-	5,151
Amortization	-	896	895	1,791
Capital Outlays	192,042	-	76,533	268,575
Total Expenditures	<u>9,645,758</u>	<u>1,135</u>	<u>227,419</u>	<u>9,874,312</u>
Excess of Revenues Over Expenditures	<u>247,944</u>	<u>561,111</u>	<u>556,141</u>	<u>1,365,196</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

Statement E

Town of Frankdinton
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the year ended October 31, 2006

	General Fund	Streets and Drainage Sales Tax	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Bond Principal	\$ -	-	\$ (352,000)	\$ (352,000)
Bond Interest Expense	-	-	(127,775)	(127,775)
Operating Transfers In	30,000	-	494,441	524,441
Operating Transfers (Out)	(117,709)	(269,178)	(225,263)	(612,150)
Sale of Fixed Assets	95,704	-	-	95,704
Capital Lease Principal	(6,671)	-	-	(6,671)
Capital Lease Interest	(85)	-	-	(85)
Total Other Financing Sources (Uses)	<u>1,239</u>	<u>(269,178)</u>	<u>(210,597)</u>	<u>(478,536)</u>
Net Change in Fund Balances	<u>249,183</u>	<u>291,933</u>	<u>345,544</u>	<u>886,660</u>
Fund Balances, Beginning	<u>736,280</u>	<u>419,106</u>	<u>1,347,596</u>	<u>2,502,982</u>
Fund Balances, Ending	<u>\$ 985,463</u>	<u>711,039</u>	<u>\$ 1,693,140</u>	<u>\$ 3,389,642</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

Town of Franklinton
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the year ended October 31, 2006

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total Governmental Funds, Statement E \$ 886,660

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 268,575	
Less:		
Current year depreciation	<u>(429,524)</u>	(160,949)

Governmental funds report sales of assets based on funds received; whereas the statement of activities reports the gain or loss on the sale. Thus, the change in net assets differs by the amounts reported as follows:

Sale of assets reported in fund statements	96,801	
Gain on sales reported in statement of net assets	<u>(95,704)</u>	1,097

Compensated absences payable after one year are not recorded as an expenditure in the governmental funds, but they are recorded as an expenditure in the statement of activities. (This entry records the change in compensated absences) (22,974)

Accrued interest for sales tax bonds is recorded in the government-wide statements only. Therefore, the difference from the government-wide to fund statements is the increase or decrease in accrued interest payable as follows:

Prior year balance for accrued interest payable	59,708	
Current year balance for accrued interest payable	<u>(50,920)</u>	8,788

Repayment of bond principal and capital lease principal is an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments - capital leases	6,671	
Principal payments - long term debt	<u>352,000</u>	<u>358,671</u>

Change in Net Assets of Governmental Activities, Statement B \$ 1,071,293

The accompanying notes are an integral part of these financial statements.

Town of Franklinton
Statement of Net Assets - Proprietary Funds
As of October 31, 2006

Statement C

Assets

Current Assets:

Cash and Cash Equivalents	\$ 225,599
Investments	1,721,660
Accounts Receivables, Net	256,188
Due From Other Funds	6,050
Inventory - Gas and Supplies	106,016
Bond Issue Cost, Net	7,030
Prepaid Insurance	27,176
Total Current Assets	<u>2,349,719</u>

Restricted Assets:

Restricted Cash and Cash Equivalents	
Customer Deposits	83,829
Bond Reserve Account	49,380
Bond Contingency Account	51,377
Bond Sinking Account	18,067
Construction Account	174,619
Restricted Investments - Customer Deposits	75,000
Total Restricted Assets	<u>452,272</u>

Property, Plant, and Equipment

Land	3,300
Property, Plant and Equipment, Net	3,060,213
Construction in Progress	873,647
Total Property, Plant, and Equipment	<u>3,937,160</u>

Total Assets 6,739,151

Liabilities

Current Liabilities (Payable From Current Assets):

Accounts Payable	68,327
Compensated Absences Payable	8,990
Other Accrued Payables	53,374
Due To Other Funds	8,646
Total Current Liabilities (Payable From Current Assets)	<u>139,337</u>

Current Liabilities (Payable From Restricted Assets):

Customer Deposits	164,688
Revenue Bonds Payable	40,536
Interest Payable on Long Term Debt	7,125
Total Current Liabilities (Payable From Restricted Assets)	<u>212,349</u>

Long Term Liabilities:

Bonds Payable	2,489,857
Compensated Absences Payable	34,423
Total Long Term Liabilities	<u>2,524,280</u>

Total Liabilities 2,875,966

Net Assets

Invested in Capital Assets, Net of Related Debt	1,581,386
Restricted for:	
Capital Projects and Debt Service	105,840
Unrestricted	2,175,959
Total Net Assets	<u>\$ 3,863,185</u>

The accompanying notes are an integral part of these financial statements.

Town of Franklinton
Statement of Revenues, Expenses and
Changes in Net Assets - Proprietary Funds
For the year ended October 31, 2006

	Business-Type Activities- Enterprise Funds			Total Proprietary Funds
	Gas Utility System	Water Utility System	Sewer Utility System	
Operating Revenues				
Gas Sales	\$ 1,347,855	\$ -	\$ -	\$ 1,347,855
Less Cost of Gas Sold	(1,076,055)	-	-	(1,076,055)
Gross Profit on Gas Sales	271,800	-	-	271,800
Water Sales	-	442,332	-	442,332
Sewer Service Charges	-	-	450,499	450,499
Other	854	18,753	8,800	28,407
Total Operating Revenues	272,654	461,085	459,299	1,193,038
Operating Expenses				
Amortization	-	-	276	276
Bad Debts	751	12	-	763
Depreciation	26,107	71,241	236,608	333,956
Employee Benefits	25,209	14,728	17,421	57,358
Insurance	46,849	27,367	33,861	108,077
Repairs and Maintenance	-	51,844	36,096	87,940
Salaries and Wages	100,627	75,562	57,925	234,114
Supplies	34,654	49,072	32,347	116,073
Utilities	-	41,513	67,381	108,894
Other	63,909	56,316	63,279	183,504
Total Operating Expenses	298,106	387,655	545,194	1,230,955
Operating Income (Loss)	(25,452)	73,430	(85,895)	(37,917)
Nonoperating Revenues (Expenses)				
Unrealized Gain (Loss)	\$ (210)	\$ (2)	\$ -	\$ (212)
Interest Income	42,170	24,935	42,201	109,306
Interest Expense	-	(56,900)	(24,929)	(81,829)
Total Nonoperating Revenues (Expenses)	41,960	(31,967)	17,272	27,265
Income (Loss) Before Contributions and Transfers	16,508	41,463	(68,623)	(10,652)
Contributions and Transfers				
Capital Contributions	-	-	100,000	100,000
Operating Transfers In	21,177	44,736	51,796	117,709
Operating Transfers Out	(10,000)	(10,000)	(10,000)	(30,000)
Change in Net Assets	27,685	76,199	73,173	177,057
Total Net Assets, Beginning	1,142,166	176,879	2,367,083	3,686,128
Total Net Assets, Ending	\$ 1,169,851	\$ 253,078	\$ 2,440,256	\$ 3,863,185

The accompanying notes are an integral part of these financial statements.

Statement I

**Town of Franklinton
Statement of Cash Flows
Proprietary Funds
For the year ended October 31, 2006**

	<u>Enterprise Fund</u>
Cash Flows From Operating Activities	
Received From Customers	\$ 2,328,394
Received for Meter Deposit Fees	4,408
Other Receipts	28,407
Payments for Operations	(1,708,765)
Payments to Employees	(317,555)
Net Cash Provided by Operating Activities	<u>334,889</u>
Cash Flows From Noncapital Financing Activities	
Transfers From (To) Other Funds	<u>87,709</u>
Net Cash Provided by Noncapital Financing Activities	<u>87,709</u>
Cash Flows From Capital and Related Financing Activities	
Capital Contributions Received	100,000
(Payments for) Capital Acquisitions	(993,420)
Principal Proceeds from (Repayments for) Long Term Debt	873,514
Interest Payments for Long Term Debt	(74,704)
Net Cash (Used) by Capital and Related Financing Activities	<u>(94,610)</u>
Cash Flows From Investing Activities	
Receipt of Interest	109,305
Proceeds from sale (Payments) for Investments	(189,241)
Net Cash (Used) by Investing Activities	<u>(79,936)</u>
Net Cash Increase in Cash and Cash Equivalents	248,052
Cash and Cash Equivalents, Beginning of Year	354,819
Cash and Cash Equivalents, End of Year	<u>\$ 602,871</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:	
Cash and Cash Equivalents, Unrestricted	\$ 225,599
Cash and Cash Equivalents, Restricted	377,272
Total Cash and Cash Equivalents	<u>\$ 602,871</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

Town of Franklinton
Statement of Cash Flows
Proprietary Funds
For the year ended October 31, 2006

Statement I

	<u>Enterprise Fund</u>
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities	
Operating (Loss)	\$ (37,917)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and amortization	334,232
Decrease in Accounts Receivable	87,708
(Increase) in Inventory	(52,641)
Decrease in Prepaid Insurance	8,166
(Decrease) in Accounts Payable	(39,974)
(Decrease) in Compensated Absences	(2,872)
Increase in Accrued Expenses	33,779
Increase in Customer Deposits	4,408
Net Cash Provided by Operating Activities	<u>\$ 334,889</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

Basic Financial Statements

Notes to the Financial Statements

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2006

Introduction

The Town of Franklinton was incorporated March 7, 1861, under the provisions of a Special Legislative Charter. The Town operates under a Mayor-Board of Aldermen form of government, with the Mayor and each of five aldermen elected at-large for four year terms. Franklinton is located in west central Washington Parish and is the governmental seat of the parish. In 1820, a legislative act created the parish from the northern section of St. Tammany Parish and the next year another act designated the settlement of Franklin as the seat of parish government. In 1826, the name was changed to Franklinton to avoid conflict with another community in St. Mary Parish with the same name. The total population of Franklinton was reported as 3,657 by the U.S. Census Bureau, Census 2000. The Town provides police and fire protection, services to maintain or develop streets, drainage, and sanitation, support of recreation activities, general and administrative services, and utilities services for area residents. Utility services are provided for 1,032 gas customers, 1,561 water customers, and 1,562 sewer customers. The Town employs 55 full-time and 1 part-time employees in addition to the Mayor and Board of Aldermen.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Town of Franklinton is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. There are no other component units which the Town of Franklinton has an oversight relationship.

1. Summary of Significant Accounting Policies

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are presented as separate columns in the fund financial statements.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2006

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable, if any, due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Streets and Drainage Sales Tax Fund*, which accounts for the receipts and disbursement of fifty percent of one percent sales tax dedicated for the purpose of constructing, improving, and maintaining streets and drainage facilities and improvements.

The Town reports the following major proprietary funds:

The *Enterprise Funds* account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Town of Franklinton
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Additionally, the government reports the following fund types:

Special Revenue Funds - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

The *Debt Service Fund* accounts for resources set aside for payment of principal and interest on the Series 2002 Certificates of Indebtedness sales tax issue.

The *Capital Project Fund* accounts for financial resources received and used for acquisition, construction, or improvement of capital facilities not reported in other governmental funds. For the current fiscal year ended, this includes the Sales Tax Construction Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule, if applicable, are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state-sponsored investment pool, and mutual funds consisting solely of government-backed securities.

Town of Franklinton
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Investments for the Town are reported at fair market value. The state investment pool, LAMP, operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Collected Millage</u>
General Corporate Purposes	7.24 mills	\$ 115,066	\$ 118,780
Police ad valorem	5.18 mills	82,326	79,089
Street and drainage ad valorem	7.24 mills	115,066	110,907

Sales and use taxes are levied at two percent. The proceeds of the 1% sales and use taxes are dedicated for the purpose of constructing, improving, extending, and maintaining playgrounds and recreational facilities, public roads, streets, bridges and crossings, sewerage, garbage disposal and water works, and other works of permanent public improvements in the municipality.

On July 21, 2001, the voters of the Town of Franklinton passed a second 1% sales tax for a period of 10 years. This 1% sales tax is dedicated as follows:

- 1) 50% for constructing, improving and maintaining streets and drainage facilities and improvements.
- 2) 20% for acquiring, improving, maintaining and operating equipment.
- 3) 20% for acquiring, constructing, improving, maintaining and operating public buildings and facilities.
- 4) 10% for promoting and encouraging the location and development of commerce and industry, including land and buildings; therefore, with the proceeds of the tax to be subject to being funded into bonds.

E. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to

Town of Franklinton
Notes to the Financial Statements
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vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	20 - 40 Years
Machinery and Equipment	5 - 15 Years
Infrastructure	20 - 40 Years
Gas System	20 - 40 Years
Water System	20 - 40 Years
Sewer System	20 - 40 Years

Town of Franklinton
Notes to the Financial Statements
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H. Compensated Absences

Prior to the fiscal year ending October 31, 2003, employees of the municipality earned annual leave at varying rates according to years of service. Accrued unused annual leave earned by an employee was carried forward to the succeeding calendar year until a maximum of twenty days accumulation. On March 9, 2004, the Board of Aldermen passed a Resolution authorizing the conversion of unused annual leave (above the twenty days accumulation) and unused sick leave to retirement credit. The Resolution dated March 9, 2004, was issued pursuant to Act 999 of the 2001 Regular Session of the Louisiana Legislative and in accordance with a Memorandum dated January 13, 2002, entitled Conversion of Unused Annual and Sick Leave to Retirement Credit, as issued by the Municipal Employee's Retirement System of Louisiana.

I. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2006

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

N. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets is presented in Statement D of the basic financial statements. Explanation of certain differences between the governmental fund statement of revenues, expenses, and changes in fund balances and the government-wide statement of activities is presented in Statement F of the basic financial statements.

2. Stewardship, Compliance and Accountability

The Town uses the following budget practices:

1. The Town Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
6. Budgetary amendments involving the transfer of funds from one department, program or function to another, or involving the increase in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
7. All budgetary appropriations lapse at the end of each fiscal year.
8. Budgets for the general and enterprise funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for enterprise funds are presented on the accrual basis of accounting. Other governmental funds are presented on the modified accrual basis of accounting. Accordingly, the budgetary comparison schedules present actual expenditures in accordance with the accounting principles

Town of Franklinton
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generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. All budgetary amounts presented reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

The proposed budget for October 31, 2006 was made available for public inspection on September 21, 2005. The proposed budget, prepared on the modified accrual basis of accounting, was published on September 21, September 28, and October 5, 15 days prior to the public hearing which was held at the Town of Franklinton's City Hall on October 11, 2005, for comments by taxpayers. The budget was legally adopted by the board of aldermen on October 25, 2005.

The following funds had actual revenues and other sources below budgeted revenues and other sources, or actual expenditures and other uses over budgeted expenditures and other uses, resulting in unfavorable variances which were in violation of the Local Government Budget Act, for the fiscal year ended October 31, 2006:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Revenues				
Streets and Drainage Ad Valorem	\$ 115,000	\$ 253,785	\$ 120,418	\$ (133,367)
Expenditures				
Police Ad Valorem	\$ 70,025	\$ 61,895	\$ 79,049	\$ (17,154)
Equipment Sales Tax Fund	\$ 155,445	\$ 144,760	\$ 191,202	\$ (46,442)

The revenue variance above occurred above since a FEMA grant was budgeted in the Streets and Drainage Ad Valorem fund, but recorded in the General Fund.

The negative variance in the Police Ad Valorem fund of \$17,154 occurred when capital outlays and repairs and maintenance expenditures exceeded projected expenditure levels.

The negative variance in the Equipment Sales Tax fund also occurred when capital outlays and repairs and maintenance expenditures exceeded projected expenditure levels.

The Town of Franklinton has indicated that they will more closely monitor budget-to-actual revenue and expenditure levels at fiscal year end and modify the budget accordingly.

3. Cash and Cash Equivalents

At October 31, 2006, the Town has cash and cash equivalents (book balances) totaling \$3,105,689, as follows:

Demand Deposits	\$ 3,105,689
	<u>\$ 3,105,689</u>

Town of Franklinton
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At October 31, 2006, the Town has \$3,644,136 in deposits (collected bank balances), within two banks, consisting of \$3,184,985 in demand deposits and \$459,151 in time and savings deposits (certificates of deposit). In the first bank the deposits totaled \$3,559,631 and consisted of \$3,184,985 in demand deposits and \$374,646 in time and savings deposits. The demand deposits are secured from risk by \$100,000 of federal deposit insurance and \$3,084,985 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The time and savings deposits are secured from risk by \$100,000 of federal deposit insurance and \$181,279 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3), resulting in deposits of \$93,367 in demand deposits not collateralized which is a violation of state law. The second bank included time and savings deposits only of \$84,505 which were secured from risk by federal deposit insurance of \$100,000.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

4. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the town or its agent in the Town's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name

All investments held by the Town fall into category 1 credit risk, defined as "insured or registered, or securities held by the Town or its agent in the Town's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

Town of Franklinton
Notes to the Financial Statements
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At October 31, 2006, the Town's investment balances were as follows:

	<u>Maturity Date</u>	<u>Carrying Amount</u>	<u>Fair Market Value</u>
Government National Mortgage Association (GNMA)	January 20, 2014	\$ 3,878	\$ 3,878
	March 20, 2028	2,329	2,329
	April 20, 2014	5,241	5,241
	May 20, 2032	1,578	1,578
		<u>13,026</u>	<u>13,026</u>
Federal Home Loan Mortgage Corporation (FHLMC)	December 1, 2008	1,368	1,368
	February 15, 2015	242,692	242,692
	March 27, 2018	161,429	161,429
	September 15, 2018	148,385	148,385
	June 11, 2021	141,168	141,168
	January 15, 2023	151,989	151,989
	February 15, 2025	78,996	78,996
	May 15, 2030	58,471	58,471
	April 15, 2034	8,670	8,670
		<u>993,168</u>	<u>993,168</u>
Federal National Mortgage Association (FNMA)	May 30, 2023	47,435	47,435
	June 25, 2033	13,071	13,071
		<u>60,506</u>	<u>60,506</u>
Federal Home Loan Bank (FHLB)	April 19, 2011	<u>67,662</u>	<u>67,662</u>
Money Market		<u>495,490</u>	<u>495,490</u>
Certificates of Deposit		<u>429,151</u>	<u>429,151</u>
Other		<u>30,000</u>	<u>30,000</u>
Total		\$ <u>2,089,003</u>	\$ <u>2,089,003</u>

All investments are stated on the balance sheet (carrying value) at market value. All investments are in the name of the Town and are held at the Town's office or by the Town's agent. Because these investments are in the name of the Town and are held by the Town or the Town's agent, the investments are considered insured and registered, Category (1), in applying the credit risk of GASB Codification Section 150.164.

Interest Rate Risk: The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value arising from increasing interest rates.

Town of Franklinton
Notes to the Financial Statements
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5. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and the period aging and write-off of accounts receivable. Major receivables balances for the governmental activities include sales taxes, franchise taxes, occupational licenses, and fines. Business-type activities report utilities earnings as their major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise taxes, occupational licenses, fines, and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund revenues consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging and write-off of accounts receivable.

The Governmental Fund receivables at October 31, 2006 consist of the following:

Government Receivables	General Fund	Special Revenue Funds	Total
Accounts	\$ 24,518	\$ -	\$ 24,518
Taxes:			
Sales Tax Receivable	74,575	74,574	149,149
Franchise Tax	60,418	-	60,418
Intergovernmental:			
Federal Emergency Management Agency	4,175,100	-	4,175,100
State of Louisiana	151,096	7,509	158,605
Other	4,824	-	4,824
Total Government Receivables	\$ 4,490,531	\$ 82,083	\$ 4,572,614

For financial statement presentation, sales tax receivable amounts are included within the category of intergovernmental revenues.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2006

The Enterprise Fund accounts receivable at October 31, 2006 consist of the following:

Accounts Receivable	Enterprise Fund
Current	\$ 128,084
31 - 60 Days	17,002
61 - 90 Days	4,750
Over 90 Days	197
Subtotal	150,033
Less Allowance for Bad Debt	-
Accounts Receivables, Net	150,033
Unbilled Receivables	106,155
Total Accounts Receivable	<u>\$ 256,188</u>

6. Interfund Receivables/Payables

The following is a detailed list of interfund balances on October 31, 2006:

Interfund Balances	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
General Fund		
Ad Valorem Police	\$ 2,700	\$ -
Ad Valorem Streets and Drainage	-	240,750
Sales Tax Streets and Drainage	100,000	-
Sales Tax Equipment	5,685	-
Sales Tax Buildings and Facilities	-	21,739
Sales Tax Industrial Development	35,592	-
Enterprise Fund	714	1,050
Special Revenue Funds		
Ad Valorem Police		
General Fund	-	2,700
Enterprise Fund	-	5,000
Capital Projects Fund	33,556	-
Ad Valorem Streets and Drainage		
General Fund	240,750	100,000
Enterprise Fund	7,932	-
Sales Tax Streets and Drainage		
General Fund	10,869	-
Sales Tax Equipment		
General Fund	4,348	5,685
Sales Tax Buildings and Facilities		
General Fund	4,348	-
Sales Tax Industrial Development		
General Fund	2,174	35,592
Capital Projects Fund		
Ad Valorem Police	-	33,556
Enterprise Fund		
Ad Valorem Police	5,000	-
Ad Valorem Streets and Drainage	-	7,932
General Fund	1,050	714
Total Interfund Balances	<u>\$ 454,718</u>	<u>\$ 454,718</u>

Town of Franklinton
Notes to the Financial Statements
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The reason for the interfund receivables/payables balances is the General Fund pays expenses of other funds and is reimbursed as funds are available. In addition, the Advalorem Streets and Drainage Fund is due reimbursement from the General Fund, pending final determination of amounts due from FEMA.

7. Capital Assets

The following is a summary of the changes in capital assets for governmental activities for the fiscal year ended October 31, 2006:

Governmental Activities Capital Assets:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 645,130	\$ -	\$ (50,603)	\$ 594,527
Total Capital Assets Not Being Depreciated	645,130	-	(50,603)	594,527
Capital Assets Being Depreciated:				
Buildings and Improvements	4,361,628	-	-	4,361,628
Machinery and Equipment	940,370	210,109	-	1,150,479
Office Furniture and Equipment	110,556	14,967	-	125,523
Vehicles	842,417	43,499	(21,179)	864,737
Infrastructure	74,140	-	-	74,140
Total Capital Assets Being Depreciated	6,329,111	268,575	(21,179)	6,576,507
Less Accumulated Depreciation for:				
Buildings and Improvements	(676,415)	(190,835)	51,700	(815,550)
Machinery and Equipment	(534,757)	(104,014)	-	(638,771)
Office Furniture and Equipment	(58,850)	(17,591)	-	(76,441)
Vehicles	(562,366)	(112,325)	21,179	(653,512)
Infrastructure	(2,406)	(4,759)	-	(7,165)
Total Accumulated Depreciation	(1,834,794)	(429,524)	72,879	(2,191,439)
Total Capital Assets Being Depreciated, Net	4,494,317	(160,949)	51,700	4,385,068
Total Governmental Activities Capital Assets, Net	\$ 5,139,447	\$ (160,949)	\$ 1,097	\$ 4,979,595
Depreciation was charged to governmental functions as follows:				
General Government			\$	30,676
Public Safety				173,895
Public Works				224,953
			\$	<u>429,524</u>

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2006

Capital assets and depreciation activity as of and for the year ended October 31, 2006 for business-type activities is as follows:

Business - Type Activities Capital Assets:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 3,300	\$ -	\$ -	\$ 3,300
Construction in Progress - Sewer System	-	873,647	-	873,647
Total Capital Assets Not Being Depreciated	<u>3,300</u>	<u>873,647</u>	<u>-</u>	<u>876,947</u>
Capital Assets Being Depreciated:				
Gas Utility System	1,026,419	2,808	-	1,029,227
Water Utility System	2,522,306	30,332	-	2,552,638
Sewer Utility System	5,401,036	86,633	-	5,487,669
Total Capital Assets Being Depreciated	<u>8,949,761</u>	<u>119,773</u>	<u>-</u>	<u>9,069,534</u>
Less Accumulated Depreciation for:				
Gas Utility System	(887,847)	(26,107)	-	(913,954)
Water Utility System	(1,669,318)	(71,241)	-	(1,740,559)
Sewer Utility System	(3,118,200)	(236,608)	-	(3,354,808)
Total Accumulated Depreciation	<u>(5,675,365)</u>	<u>(333,956)</u>	<u>-</u>	<u>(6,009,321)</u>
Total Capital Assets Being Depreciated, Net	<u>3,274,396</u>	<u>(214,183)</u>	<u>-</u>	<u>3,060,213</u>
Total Business - Type Activities Capital Assets, Net	\$ <u>3,277,696</u>	\$ <u>659,464</u>	\$ <u>-</u>	\$ <u>3,937,160</u>

Town of Franklinton
Notes to the Financial Statements
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8. Interfund Transfers

The following is a detailed list of interfund transfers reported in the fund financial statements on October 31, 2006:

Interfund Transfers	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Enterprise Fund	\$ 30,000	\$ 117,709
Special Revenue Funds		
Sales Tax Streets and Drainage		
Debt Service Fund	-	269,178
Sales Tax Equipment		
Capital Projects Fund	5,026	-
Debt Service Fund	-	97,883
Sales Tax Buildings and Facilities		
Debt Service Fund	-	122,354
Capital Projects Fund		
Sales Tax Equipment	-	5,026
Debt Service Fund		
Sales Tax Streets and Drainage	269,178	-
Sales Tax Equipment	97,883	-
Sales Tax Buildings and Facilities	122,354	-
Enterprise Fund		
General Fund	117,709	30,000
Total Interfund Transfers	\$ <u>642,150</u>	\$ <u>642,150</u>

The primary reason for the transfers was to transfer funds for debt service per requirements of the 2002 Sales Tax Bond Issue. Funds were also transferred from the Enterprise Fund per budget approvals of the General Fund.

Town of Franklinton
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9. Accounts, Salaries, and Other Payables

The Governmental Fund payables at October 31, 2006 are as follows:

Governmental Funds Payable	General Fund	Special Revenue Funds	Total
Accounts:			
Hurricane Katrina Related	\$ 3,831,592	\$ -	\$ 3,831,592
Other	175,333	6,208	181,541
Accrued Salaries	10,400	-	10,400
Compensated Absences	37,139	-	37,139
Due to Other Governments:			
Due to Council on Aging	10,018	-	10,018
Other	30,728	-	30,728
Total Government Funds Payable	\$ 4,095,210	\$ 6,208	\$ 4,101,418

The Enterprise Fund payables at October 31, 2006 are as follows:

Enterprise Funds Payable	Gas Utility	Water Utility	Sewer Utility	Total Enterprise Fund
Accounts	\$ 45,957	\$ 14,762	\$ 7,608	\$ 68,327
Accrued Salaries	2,765	-	-	2,765
Compensated Absences Payable	5,844	2,935	211	8,990
Construction Payable	-	-	41,727	41,727
Other	5,070	2,126	1,686	8,882
Total Enterprise Funds Payable	\$ 59,636	\$ 19,823	\$ 51,232	\$ 130,691

10. Short-Term Debt

The Town had no short-term debt outstanding at October 31, 2006, other than the current portions of revenue bonds payables described in the long term debt footnote.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2006

11. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended October 31, 2006:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Long-Term Obligations</u>
	<u>Capital</u>	<u>Revenue</u>	<u>Capital</u>	<u>Revenue</u>	
	<u>Leases</u>	<u>Bonds</u>	<u>Leases</u>	<u>Bonds</u>	
Beginning Balance	\$ 20,034	\$ 2,866,000	\$ -	\$ 1,656,879	\$ 4,542,913
Additions	-	-	-	900,000	900,000
Deletions	(6,671)	(352,000)	-	(26,486)	(385,157)
Ending Balance	<u>\$ 13,363</u>	<u>\$ 2,514,000</u>	<u>\$ -</u>	<u>\$ 2,530,393</u>	<u>\$ 5,057,756</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of the long-term obligations:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Long-Term Obligations</u>
	<u>Capital</u>	<u>Revenue</u>	<u>Capital</u>	<u>Revenue</u>	
	<u>Leases</u>	<u>Bonds</u>	<u>Leases</u>	<u>Bonds</u>	
Current Portion	\$ 5,411	\$ 370,000	\$ -	\$ 40,536	\$ 415,947
Long-Term Portion	7,952	2,144,000	-	2,489,857	4,641,809
	<u>\$ 13,363</u>	<u>\$ 2,514,000</u>	<u>\$ -</u>	<u>\$ 2,530,393</u>	<u>\$ 5,057,756</u>

Bonds Payable as of October 31, 2006 are as follows:

	<u>Bonds Payable End of Year</u>	<u>Due Within One Year</u>
Business Type: \$ 560,000 of Sewer Revenue Bonds, Series 2002 Dated 06/03/02, due in monthly installments of principal and interest of \$2,923, through 06/03/2032, interest at 4.75%	\$ 519,284	\$ 10,612
Business Type: \$1,250,000 of Water Revenue Bonds Dated 12/31/06, due in monthly installments of principal and interest of \$6,102, from 01/26/1997 to 12/26/2036, interest at 5.125%	1,111,109	29,924
Business Type: \$ 900,000 of Certificate of Indebtedness Sewer 2006 Dated 03/29/06, due in annual installments of principal and interest ranging up \$135,841, from 04/01/2007 to 02/01/2016, interest at 4.75%	900,000	-
Governmental: \$3,520,000 Certificates of Indebtedness, Series 2002 Dated 06/12/02, due in annual installments of principal and interest ranging up \$483,210, from 11/01/2011, interest at 4.75%	2,514,000 <u>\$ 5,044,393</u>	370,000 <u>\$ 410,536</u>

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2006

The annual requirements to amortize all debt outstanding at October 31, 2006, including interest payments of \$2,102,303 are as follows:

Year Ending 10/31/06	Sewer Revenue Bonds	Sewer Cert of Indebt	Water Revenue Bonds	Govt'l - Cert of Indebt	Govt'l - Capital Leases	Total
2007	\$ 35,078	\$ 42,750	\$ 73,218	\$ 480,628	\$ 5,794	\$ 637,468
2008	35,078	42,750	73,218	480,625	5,614	637,285
2009	35,078	134,518	73,218	480,744	936	724,494
2010	35,078	134,934	73,218	481,913	-	725,143
2011	35,078	135,113	73,218	482,084	-	725,493
2012 to 2016	175,392	677,409	366,090	483,210	-	1,702,101
2017 to 2021	175,392	-	366,090	-	-	541,482
2022 to 2026	175,392	-	366,090	-	-	541,482
2027 to 2031	175,392	-	366,090	-	-	541,482
2032 to 2036	17,539	-	366,090	-	-	383,629
	<u>\$ 894,497</u>	<u>\$ 1,167,474</u>	<u>\$ 2,196,540</u>	<u>\$ 2,889,204</u>	<u>\$ 12,344</u>	<u>\$ 7,160,059</u>

Dedication of Proceeds and Flow of Funds - 2% Sales and Use Tax

Proceeds of the initial one percent sales, totaling \$1,096,328 in collections for 2006 including State P&M sales tax collections, and use tax levied by the Town are dedicated with the revenues derived from said sales and use tax to be used for the purpose of constructing, improving, extending, and maintaining playgrounds and recreational facilities; public roads, streets, bridges and crossings; sewerage, garbage disposal and water works, and other works of permanent public improvements in the municipality.

On July 21, 2001, the voters of the Town of Franklinton passed a second 1% sales tax for a period of 10 years. This 1% sales tax is dedicated as follows:

- 1) 50% for constructing, improving and maintaining streets and drainage facilities and improvements. Collections for 2006, including State P&M sales tax collections, were \$540,364.
- 2) 20% for acquiring, improving, maintaining and operating equipment. Collections for 2006, including State P&M sales tax collections, were \$216,146.
- 3) 20% for acquiring, constructing, improving, maintaining and operating public buildings and facilities. Collections for 2006, including State P&M sales tax collections, were \$216,146.
- 4) 10% for promoting and encouraging the location and development of commerce and industry, including land and buildings thereof, with the proceeds of the tax to be subject to being funded into bonds. Collections for 2006, including State P&M sales tax collections, were \$101,526.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2006

12. Flow of Funds, Restrictions on Use – Enterprise Fund and Government Fund Bonds

Sewer Revenue Bonds - Series 2002

The Sewer Revenue Bonds, Series 2002, issued by the United States Department of Agriculture, Rural Utilities Service, require that all income and revenues earned or derived from the operation of the system be deposited in the Revenue Fund. Out of the funds on deposit in the Revenue Fund, after reasonable and necessary expenses of operating the system have been paid, moneys are to be transferred to the Sinking Fund, the Reserve Fund and/or the Contingency Fund as provided in the Resolution.

The Sinking Fund is designed to achieve a proper matching of revenues and debt service on the bonds with each bond year. The municipality is required by the Resolution to make monthly deposits into the Sinking Fund no later than the 20th day of each month, a sum of \$2,924. Amounts deposited in the Sinking Fund will be applied to the payment of principal and interest on the bonds in the bond year of their receipts. The municipality has elected to make these payments monthly to RUS.

The Reserve Fund is maintained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. A sum of \$147 per month must be deposited into this fund no later than the 20th day of each month until \$35,078 is on deposit therein. This Reserve Fund is properly funded at October 31, 2006 with a balance maintained of \$8,329.

The Contingency Fund is established to care for depreciation, extensions, additions, improvements, renewals and replacements necessary to operate properly the System, by transferring from the Water Revenue Fund on or before the 20th day of each month of each year a sum of \$147. The amount to be deposited per month is to increase to \$293 per month once \$35,078 has been accumulated in the Reserve Fund. In addition to caring for depreciation, extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingency Fund may also be used to pay the principal of and the interest on the bonds including any additional pari passu bonds issued hereafter in the manner provided by the Resolution, for the payment of which there is not sufficient money in the Sinking Fund or Reserve Funds. This Contingency Fund is properly funded at October 31, 2006, with a balance maintained of \$8,329.

Water Revenue Bonds

The Water Revenue Bonds, Series 1996, issued by the United States Department of Agriculture, Rural Utilities Service, require that all income and revenues earned or derived from the operation of the system be deposited in the Revenue Fund. Out of the funds on deposit in the Revenue Fund, after reasonable and necessary expenses of operating the system have been paid, moneys are to be transferred to the Sinking Fund, the Reserve Fund and/or the Contingency Fund as provided in the Resolution.

The Sinking Fund is designed to achieve a proper matching of revenues and debt service on the bonds with each bond year. For purposes of this certificate, "Bond Year" shall mean 1 year period ending on each principal payment date of the bonds, which is December 26. The municipality is required by the Resolution to make monthly deposits into the Sinking Fund no later than the 20th day of each month, a sum of \$6,101.50. Amounts deposited in the Sinking Fund will be applied to the payment of principal and interest on the bonds in the bond year of their receipts. The Town has elected to make these payments monthly to RUS.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2006

The Reserve Fund is maintained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. The Reserve Fund is established by depositing \$306 monthly into the Reserve Fund commencing with the month following the completion of the project. This fund is fully funded as of October 31, 2006, with a balance maintained of \$41,051.

The Contingency Fund is established to care for depreciation, extensions, additions, improvements, renewals and replacements necessary to operate properly the System, by transferring from the Water Revenue Fund on or before the 20th day of each month of each year a sum of \$321, provided such sum is available as provided in the Resolution. In addition to caring for depreciation, extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingency Fund may also be used to pay the principal of and the interest on the bonds including any additional pari passu bonds issued hereafter in the manner provided by the Resolution, for the payment of which there is not sufficient money in the Sinking Fund or Reserve Funds. This Fund is fully funded at October 31, 2006, with a balance maintained of \$43,048.

Certificates of Indebtedness, Series 2006 – Sewer Bonds

On March 29, 2006, the Town of Franklinton issued \$900,000 of Certificates of Indebtedness, Series 2006, for the purpose of financing sewer improvements. Under the terms of the bond agreement, the Certificates shall be secured by and payable solely from a pledge and dedication of the excess of annual revenues of the Issuer above statutory, necessary and usual charges in each of the fiscal years during which the Certificates are outstanding, subject to the payment of the principal and interest falling due on the Prior Lien Certificates. For the payment of the principal of and the interest on the Certificates, there is hereby created a special fund to be known as "Town of Franklinton, State of Louisiana, Certificates of Indebtedness, Series 2006, Sinking Fund", said Sinking Fund to be established with the regularly designated fiscal agent of the Issuer. The Issuer shall deposit in said Sinking Fund monthly in advance on or before the 20th of each month, commencing February 2006, a sum equal to one-sixth of the interest falling due on the next interest payment date for the period February, 2006 through January, 2008 and thereafter 1/6 of the interest falling due on the next interest payment date and one-twelfth of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same fall due. At October 31, 2006, this Fund was fully funded with a balance of \$14,243.

Certificates of Indebtedness, Series 2002 - Sales Tax Bonds

The issuer, the Town of Franklinton, agrees to budget annually a sum of money sufficient to pay the interest and principal on the Certificates as the same become due and to levy and collect in each year taxes, including, but not limited to, the issuer's 1% sales and use tax authorized to be levied through September 20, 2011, pursuant to an election held in the Issuer on July 20, 2001, 90% of the avails of which are authorized to be expended for the purposes for which the Certificates are issued, and to collect other revenues within the limits prescribed by law, sufficient to pay the principal of and the interest on the Certificates after the payments in such years of all statutory, necessary and usual charges.

During the fiscal year ended October 31, 2006, the Town of Franklinton accumulated sufficient funds to fund the annual debt service installment of \$429,708, due November 1, 2006, maintaining a cash balance of \$450,665 at fiscal year-end.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2006

13. Retirement Systems

Substantially all employees of the Town of Franklinton are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana or Municipal Police Employees Retirement System of Louisiana. These systems are a cost-sharing, multiple-employer public employee retirement system (PERS), controlled and administered by a separate board of trustees. Pertinent information relative to each plan follows:

A. Municipal Employee Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service or at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of their final-average salary for each year of creditable service. Furthermore, with at least 10 years of creditable service, but less than 30 years, an employee may take early retirement benefits commencing at age 60, with the basic benefit reduced 3 per cent for each year retirement precedes age 60, unless the employee has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of Franklinton is required to contribute at an actuarially determined rate. The current rate is 9.75 percent of annual covered payroll. The Town of Franklinton's management has decided to pay two percent of the employees' part, thus increasing the Town of Franklinton's pension percentage to 11.75 percent. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Franklinton are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Franklinton contributions to the System under Plan B for the years ending October 31, 2006 and 2005 were \$83,516, and \$84,725, respectively, equal to the required contributions for each year.

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2006

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to Contribute 7.5 percent of their annual covered salary and the Town of Franklinton is required to contribute at an actuarially determined rate. The current rate is 15.5 percent of annual covered payroll. The contribution requirements of plan members and the Town of Franklinton are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Franklinton contributions to the System under Plan B for the years ending October 31, 2006 and 2005 were \$61,048 and \$85,392, respectively, equal to the required contributions for each year.

14. Other Post Employment Benefits

The Town of Franklinton provides health care insurance for employees who retire with twenty years of service. These benefits are provided until the retiree becomes eligible for Medicare. For the year ended October 31, 2006 the Town of Franklinton had no retirees eligible for this benefit.

15. Transportation Grant Subcontracted to Washington Parish Council on Aging, Inc.

The Town has entered into subcontracts with the Washington Parish Council on Aging, Inc. assigning all rights and liabilities under the grant agreements and contracts in order that the Council on Aging can administer the grants. The Town is the program sponsor and is legally and financially obligated in connection with fulfilling these grant agreements.

16. Segment Information – Enterprise Fund

The enterprise fund of the Town of Franklinton accounts for the collection of gas, water, and sewer user fees, and the provision of services to support the gas, water and sewer systems. Segment information of the enterprise fund is presented in the following statement that comprises the set of financial statements:

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2006

Individual enterprise fund statements are included as columns in the combining balance sheet; combining statements of revenues, expenses, and changes in retained earnings - proprietary fund type; and combining statement of cash flows - proprietary fund type and notes to the basic financial statements.

17. Prior Period Adjustment

A prior period adjustment was made to correct the beginning government wide net assets for governmental activities, as reflected on the *Statement of Activities -- Statement B*. The adjustment was required to record accrued interest on long term debt for the Sales Tax Bonds, Series 2002, on a government wide basis.

18. Reserved and Designated Fund Balances/Net Assets

At October 31, 2006, the Sales Tax Construction had reserved fund balance of \$251,947 for future construction and expenditures per requirements of the 2002 Sales Tax Ordinance, and the Sales Tax Debt Service had reserved fund balance of \$450,665 representing reservation of funds for debt service for the 2002 sales tax bond issue.

19. Risk Management

The Town is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many other unforeseeable events. The Town purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The Town's payment of the insurance policy deductible is the only liability associated with these policies and bonds. There has been no significant decrease in insurance coverage from the prior year.

In order to control insurance costs and concurrently manage the risks of loss, the Town of Franklinton during April 2004 increased the deductible on general liability insurance from \$5,000 to \$25,000 for each loss occurrence. The deductible has subsequently been increased to \$100,000, and the board of aldermen has approved a plan for funding estimated deductibles. As of October 31, 2006, a total of \$67,660 has been transferred to a separate insurance account designated for funding the deductible, and additional funds will be transferred to this account as funds become available.

20. Contingent Liabilities

Hurricane Katrina Disaster

As with other Louisiana communities, the Town of Franklinton incurred extensive damage to infrastructure because of Hurricane Katrina. The Town made timely application to the U.S. Federal Emergency Management Administration (FEMA) and completed all contracted work. As of the date of this financial report, a determination has not been made on the final amounts for which the Town of Franklinton will be reimbursed. As of October 31, 2006, a total receivable of \$4,175,100 has been recorded as Due from FEMA, and a payable of \$3,831,592 has been recorded for expenditures related to Hurricane Katrina. Of the total receivable, \$2,224,765 represents requests that have been denied by FEMA because the prices used in the request have been deemed to be unreasonable. On August 10, 2006, an appeal was filed to FEMA for reimbursement of the amounts denied. That appeal is still pending as of the date of this report. If the funds accrued as Due from FEMA, or a portion of funds Due from FEMA, are not paid to the Town of Franklinton, non-payment of the funds and the liability related to the

Town of Franklinton
Notes to the Financial Statements
As of and for the Year Ended October 31, 2006

expenditures incurred for Hurricane Katrina damages could adversely affect the ability of the Town of Franklinton to fund the day-to-day operations of the Town.

Other Contingent Liabilities

At October 31, 2006, the Town has several suits pending or threatened litigation. As of the date of this report, the extent to which some of these suits are covered by insurance, the outcome of these suits, and any probable loss amount cannot be readily determinable.

Effective November 1, 2004, the Town of Franklinton approved a new health insurance policy and elected to pay the \$1,000 deductible per employee, if necessary. The Town expects a worse-case scenario in which ½ of the employee's \$1,000 health insurance deductibles will need to be paid by the Town in the fiscal year ending October 31, 2006. On this basis, the Town recorded a contingent liability, payable within the next fiscal year, of \$22,500 and allocated \$17,500 of the estimated expenditure to various departments within the General Fund, and the remaining estimated expenditure of \$5,000 to water, sewer, and gas departments within the Enterprise Fund.

21. On-Behalf Payments by the State of Louisiana

For the fiscal year ended October 31, 2006, the State of Louisiana made on behalf payments in the form of supplemental pay to the Town's policemen. In accordance with GASB 24, the Town recorded \$51,500 of on behalf payments as revenue and as an expenditure in the General Fund.

22. Construction

At October 31, 2006, the Town of Franklinton had incurred \$873,647 in construction improvements related to the Section Line-Industrial Park Sewer Improvements project. Funding for this project was provided from the \$900,000 Certificates of Indebtedness, Series 2006, and from contributions of \$100,000 from the Washington Parish School Board.

Required Supplemental Information (Part II)

Schedule 1

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
 General Fund - Summary
 For the year ended October 31, 2006

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable
Revenues				
Taxes	\$ 1,245,137	\$ 1,400,437	\$ 1,415,847	\$ 15,410
Licenses and Permits	322,000	350,000	351,064	1,064
Intergovernmental	2,342,109	7,707,839	7,869,348	161,509
Charges for Services	150,000	155,000	142,050	(12,950)
Fines and Forfeitures	55,000	55,000	56,692	1,692
Interest	11,000	15,250	25,757	10,507
Miscellaneous	95,980	127,650	32,944	(94,706)
Total Revenues	<u>4,221,226</u>	<u>9,811,176</u>	<u>9,893,702</u>	<u>82,526</u>
Expenditures				
General Government	806,385	811,134	783,417	27,717
Public Safety:				-
Police	777,026	789,706	859,449	(69,743)
Fire	155,620	192,320	174,666	17,654
Public Works	2,337,210	7,341,015	7,315,715	25,300
Sanitation	122,000	122,000	120,055	1,945
Health and Welfare	294,911	241,575	195,263	46,312
Transportation	4,000	5,225	5,151	74
Capital Outlays	788	9,522	192,042	(182,520)
Total Expenditures	<u>4,497,940</u>	<u>9,512,497</u>	<u>9,645,758</u>	<u>(133,261)</u>
Excess Revenues (Expenditures)	<u>(276,714)</u>	<u>298,679</u>	<u>247,944</u>	<u>(50,735)</u>

(Continued)

See independent auditor's report.

Schedule 1

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
 General Fund - Summary
 For the year ended October 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Operating Transfers In	\$ 400,358	\$ 30,000	\$ 30,000	\$ -
Operating Transfers (Out)	-	-	(117,709)	(117,709)
Sale of Fixed Assets	-	704	95,704	95,000
Capital Lease Proceeds	-	-	-	-
Capital Lease Principal	-	-	(6,671)	(6,671)
Capital Lease Interest	-	-	(85)	(85)
Total Other Financing Sources (Uses)	<u>400,358</u>	<u>30,704</u>	<u>1,239</u>	<u>(29,465)</u>
				-
Net Change in Fund Balances	<u>123,644</u>	<u>329,383</u>	<u>249,183</u>	<u>(80,200)</u>
Fund Balances, Beginning	<u>736,280</u>	<u>736,280</u>	<u>736,280</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 859,924</u>	<u>\$ 1,065,663</u>	<u>\$ 985,463</u>	<u>\$ (80,200)</u>

(Concluded)

See independent auditor's report.

Schedule 2

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
 General Fund - Detail
 For the year ended October 31, 2006

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable
Taxes				
Ad Valorem	\$ 115,000	\$ 118,000	\$ 118,780	\$ 780
Sales Taxes	910,000	1,086,300	1,096,328	10,028
Franchise Taxes	220,137	196,137	200,739	4,602
Total Taxes	<u>1,245,137</u>	<u>1,400,437</u>	<u>1,415,847</u>	<u>15,410</u>
Intergovernmental				
Federal Emergency Management Agency	1,886,000	7,289,760	7,289,760	-
Federal Grants	-	-	140,000	140,000
State Grants	14,620	16,020	16,054	34
Supplemental Pay - Police	-	-	51,500	51,500
Police Jury Rebate	196,489	196,489	192,979	(3,510)
Council on Aging Grant	245,000	205,000	155,517	(49,483)
Other	-	570	23,538	22,968
Total Intergovernmental	<u>2,342,109</u>	<u>7,707,839</u>	<u>7,869,348</u>	<u>161,509</u>
Other Revenues				
Licenses and Permits	322,000	350,000	351,064	1,064
Charges for Services	150,000	155,000	142,050	(12,950)
Fines and Forfeitures	55,000	55,000	56,692	1,692
Interest	11,000	15,250	25,757	10,507
Miscellaneous	95,980	127,650	32,944	(94,706)
Total Other Revenues	<u>633,980</u>	<u>702,900</u>	<u>608,507</u>	<u>(94,393)</u>
Total Revenues	<u>4,221,226</u>	<u>9,811,176</u>	<u>9,893,702</u>	<u>82,526</u>

(Continued)

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
General Fund - Detail
For the year ended October 31, 2006

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable
General Government				
Salaries	240,000	250,000	251,968	(1,968)
Benefits	52,000	60,600	54,845	5,755
Payroll Taxes	18,360	18,360	21,686	(3,326)
General and Administrative	105,140	105,140	105,147	(7)
Insurance	290,000	268,200	240,373	27,827
Vehicle Expenses	8,500	7,800	2,128	5,672
Other operating	23,885	22,434	22,024	410
Professional Fees	37,000	39,500	38,905	595
Supplies	18,500	20,800	29,589	(8,789)
Utilities	13,000	18,300	16,752	1,548
Total General Government	806,385	811,134	783,417	27,717
Public Safety:				
Police				
Salaries	480,780	512,680	567,154	(54,474)
Benefits	73,632	58,632	61,048	(2,416)
Payroll Taxes	54,376	42,736	46,581	(3,845)
General and Administrative	12,256	23,112	23,113	(1)
Insurance	84,370	75,970	89,649	(13,679)
Vehicle Expenses	23,000	25,700	26,721	(1,021)
Other operating	6,612	5,837	5,840	(3)
Repairs and Maintenance	-	39	39	-
Supplies	15,000	17,500	13,480	4,020
Telephone	12,000	12,500	11,956	544
Utilities	15,000	15,000	13,868	1,132
Total Police	777,026	789,706	859,449	(69,743)
Fire				
Salaries	21,000	30,700	33,426	(2,726)
Benefits	10,300	11,900	7,368	4,532
Payroll Taxes	1,800	2,000	2,743	(743)
General and Administrative	76,600	96,700	80,732	15,968
Insurance	23,250	24,550	24,513	37
Vehicle Expenses	3,000	3,800	3,479	321
Other operating	2,950	2,500	2,838	(338)
Supplies	5,220	5,570	4,980	590
Telephone	4,000	4,900	4,854	46
Utilities	7,500	9,700	9,733	(33)
Total Fire	155,620	192,320	174,666	17,654
Total Public Safety	932,646	982,026	1,034,115	(52,089)

(Continued)

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
General Fund - Detail
For the year ended October 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable</u>
Public Works				
Salaries	233,860	204,860	201,627	3,233
Benefits	60,200	64,540	56,445	8,095
Payroll Taxes	17,900	13,750	14,501	(751)
General and Administrative	50,000	57,600	54,133	3,467
Hurricane Katrina Expenses	1,923,050	6,922,065	6,922,065	-
Insurance	11,200	29,000	29,022	(22)
Vehicle Expenses	6,000	7,700	7,564	136
Supplies	35,000	41,500	30,358	11,142
Total Public Works	<u>2,337,210</u>	<u>7,341,015</u>	<u>7,315,715</u>	<u>25,300</u>
Sanitation				
Other operating	122,000	122,000	120,055	1,945
Total Sanitation	<u>122,000</u>	<u>122,000</u>	<u>120,055</u>	<u>1,945</u>
Health and Welfare				
Salaries	15,800	17,000	17,120	(120)
Benefits	5,900	5,800	5,868	(68)
Payroll Taxes	1,200	1,300	1,359	(59)
General and Administrative	1,130	1,130	2,253	(1,123)
Insurance	-	345	345	-
Other operating	270,881	216,000	168,318	47,682
Total Health and Welfare	<u>294,911</u>	<u>241,575</u>	<u>195,263</u>	<u>46,312</u>
Transportation				
General and Administrative	2,000	4,000	3,996	4
Utilities	2,000	1,225	1,155	70
Total Transportation	<u>4,000</u>	<u>5,225</u>	<u>5,151</u>	<u>74</u>
Amortization	-	-	-	-
Capital Outlays	<u>788</u>	<u>9,522</u>	<u>192,042</u>	<u>(182,520)</u>
Total Expenditures	<u>4,497,940</u>	<u>9,512,497</u>	<u>9,645,758</u>	<u>(133,261)</u>
Excess Revenues (Expenditures)	<u>(276,714)</u>	<u>298,679</u>	<u>247,944</u>	<u>(50,735)</u>

(Continued)

See independent auditor's report.

Schedule 2

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
 General Fund - Detail
 For the year ended October 31, 2006

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable
Other Financing Sources (Uses)				
Operating Transfers In	\$ 400,358	\$ 30,000	\$ 30,000	\$ -
Operating Transfers (Out)	-	-	(117,709)	(117,709)
Sale of Fixed Assets	-	704	95,704	95,000
Capital Lease Proceeds	-	-	-	-
Capital Lease Principal	-	-	(6,671)	(6,671)
Capital Lease Interest	-	-	(85)	(85)
Total Other Financing Sources (Uses)	<u>400,358</u>	<u>30,704</u>	<u>1,239</u>	<u>(29,465)</u>
				-
Net Change in Fund Balances	<u>123,644</u>	<u>329,383</u>	<u>249,183</u>	<u>(80,200)</u>
				-
Fund Balances, Beginning	<u>736,280</u>	<u>736,280</u>	<u>736,280</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 859,924</u>	<u>\$ 1,065,663</u>	<u>\$ 985,463</u>	<u>\$ (80,200)</u>

(Concluded)

See independent auditor's report.

Schedule 3

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
 Special Revenue Fund - Streets and Drainage Sales Tax
 For the year ended October 31, 2006

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable
	Original	Final		
Revenues				
Sales Taxes	\$ 450,000	\$ 537,200	\$ 540,364	\$ 3,164
Interest	20,000	21,600	21,882	282
Total Revenues	<u>470,000</u>	<u>558,800</u>	<u>562,246</u>	<u>3,446</u>
Expenditures				
Public Works	-	240	239	1
Amortization	-	-	896	(896)
Capital Outlays	-	-	-	-
Total Expenditures	<u>-</u>	<u>240</u>	<u>1,135</u>	<u>(895)</u>
Excess Revenues (Expenditures)	<u>470,000</u>	<u>558,560</u>	<u>561,111</u>	<u>2,551</u>
Other Financing Sources (Uses)				
Operating Transfers (Out)	(268,000)	(269,177)	(269,178)	(1)
Total Other Financing Sources (Uses)	<u>(268,000)</u>	<u>(269,177)</u>	<u>(269,178)</u>	<u>(1)</u>
Net Change in Fund Balances	<u>202,000</u>	<u>289,383</u>	<u>291,933</u>	<u>2,550</u>
Fund Balances, Beginning	<u>419,106</u>	<u>419,106</u>	<u>419,106</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 621,106</u>	<u>\$ 708,489</u>	<u>\$ 711,039</u>	<u>\$ 2,550</u>

See independent auditor's report.

Other Supplemental Schedules

Non-Major Governmental Funds

Special Revenue Funds:

Police Ad Valorem - To account for the receipt and disbursement of a five (5) mill ad valorem tax dedicated for the purpose of maintaining and improving the police department.

Streets and Drainage Ad Valorem - To account for the receipt and disbursement of a seven (7) mill ad valorem tax dedicated for the purpose of maintaining and improving streets and drainage.

Equipment Fund - To account for the receipt and disbursement of 20% of a 1% sales tax dedicated for the purposes of acquiring, constructing, improving, maintaining and operating public buildings and facilities.

Building and Facilities - To account for the receipt and disbursement of 20% of a 1% sales tax dedicated for the purposes of acquiring, constructing, improving, maintaining and operating public buildings and facilities.

Industrial Development - To account for the receipt and disbursement of 10% of a 1% sales tax dedicated for the purposes of promoting and encouraging the location and development of commerce and industry, including land and building therefore, with the proceeds of the tax to be subject to being funded into bonds.

Rural Development - To account for the receipt and disbursement of a grant from the State of Louisiana for the purpose of providing financial assistance to purchase new equipment at an industrial development location.

Capital Project Fund:

Sales Tax Construction Fund - To account for use of the proceeds of the 2002 Certificates of Indebtedness for the construction of facilities.

Debt Service Fund:

Sales Tax Debt Service Fund - To account for resources set aside for payment of principal and interest on the 2002 Certificates of Indebtedness sales tax issue.

Town of Franklinton
Combining Balance Sheet
Nonmajor Governmental Funds
As of October 31, 2006

	Special Revenue					
	Police Ad Valorem	Streets and Drainage Ad Valorem	Equipment Sales Tax	Building and Facilities Sales Tax	Industrial Development Sales Tax	Rural Development Grant
Assets						
Cash	\$ 35,270	\$ 235,793	\$ 6,422	\$ 148,404	\$ 270,102	\$ 32,827
Investments	-	78,192	-	-	-	-
Receivables, Net:						
Intergovernmental	-	-	16,416	16,416	8,208	-
Due From Other Funds	33,556	248,682	4,348	4,348	2,174	-
Bond Issue Cost, Net	-	-	2,002	2,002	1,001	-
Restricted Cash	-	-	-	-	-	-
Total Assets	<u>\$ 68,826</u>	<u>\$ 562,667</u>	<u>\$ 29,188</u>	<u>\$ 171,170</u>	<u>\$ 281,485</u>	<u>\$ 32,827</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ 3,690	\$ 2,518	\$ -	\$ -
Due to Other Funds	7,700	100,000	5,685	-	35,592	-
Total Liabilities	<u>7,700</u>	<u>100,000</u>	<u>9,375</u>	<u>2,518</u>	<u>35,592</u>	<u>-</u>
Fund Balances:						
Unreserved Fund Balances	61,126	462,667	19,813	168,652	245,893	32,827
Reserved Fund Balance	-	-	-	-	-	-
Total Fund Balances	<u>61,126</u>	<u>462,667</u>	<u>19,813</u>	<u>168,652</u>	<u>245,893</u>	<u>32,827</u>
Total Liabilities and Fund Balances	<u>\$ 68,826</u>	<u>\$ 562,667</u>	<u>\$ 29,188</u>	<u>\$ 171,170</u>	<u>\$ 281,485</u>	<u>\$ 32,827</u>

(Continued)

See independent auditor's report.

<u>Capital Project</u>	<u>Debt Service</u>	
<u>Sale Tax</u>	<u>Debt</u>	<u>Total Nonmajor</u>
<u>Construction</u>	<u>Service</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>
\$ -	\$ -	\$ 728,818
-	-	78,192
-	-	41,040
-	-	293,108
-	-	5,005
285,053	450,665	735,718
<u>\$ 285,053</u>	<u>\$ 450,665</u>	<u>\$ 1,881,881</u>

\$ -	\$ -	\$ 6,208
33,556	-	182,533
<u>33,556</u>	<u>-</u>	<u>188,741</u>

-	-	990,978
251,497	450,665	702,162
<u>251,497</u>	<u>450,665</u>	<u>1,693,140</u>
\$ 285,053	\$ 450,665	\$ 1,881,881

(Concluded)

See independent auditor's report.

Town of Franklinton
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended October 31, 2006

	Special Revenue					
	Police Ad Valorem	Streets and Drainage Ad Valorem	Equipment Sales Tax	Building and Facilities Sales Tax	Industrial Development Sales Tax	Rural Development Grant
Revenues						
Ad Valorem Taxes	\$ 79,089	\$ 110,542	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	216,146	216,146	101,526	-
Interest	2,812	10,974	1,249	5,252	16,135	1,450
Unrealized Gain (Loss) on Investments	-	(1,098)	-	-	-	-
Total Revenues	<u>81,901</u>	<u>120,418</u>	<u>217,395</u>	<u>221,398</u>	<u>117,661</u>	<u>1,450</u>
Expenditures						
General Government	-	-	17,420	27,422	4,317	-
Public Safety						
Police	37,489	-	15,170	6,534	-	-
Fire	-	-	11,610	5,067	-	-
Public Works	-	1,074	20,834	-	-	-
Health and Welfare	-	-	3,054	-	-	-
Amortization	-	-	358	358	179	-
Capital Outlays	41,560	-	24,873	-	-	-
Total Expenditures	<u>79,049</u>	<u>1,074</u>	<u>93,319</u>	<u>39,381</u>	<u>4,496</u>	<u>-</u>
Excess of Revenues Over Expenditures	2,852	119,344	124,076	182,017	113,165	1,450
Other Financing Sources (Uses)						
Bond Principal	-	-	-	-	-	-
Bond Interest Expense	-	-	-	-	-	-
Operating Transfers In	-	-	5,026	-	-	-
Operating Transfers Out	-	-	(97,883)	(122,354)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(92,857)</u>	<u>(122,354)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,852	119,344	31,219	59,663	113,165	1,450
Fund Balances, Beginning	58,274	343,323	(11,406)	108,989	132,728	31,377
Fund Balances, Ending	<u>\$ 61,126</u>	<u>\$ 462,667</u>	<u>\$ 19,813</u>	<u>\$ 168,652</u>	<u>\$ 245,893</u>	<u>\$ 32,827</u>

(Continued)

See independent auditor's report.

Schedule 5

<u>Capital Project</u>	<u>Debt Service</u>	
<u>Sale Tax Construction</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 189,631
-	-	533,818
12,899	10,438	61,209
-	-	(1,098)
<u>12,899</u>	<u>10,438</u>	<u>783,560</u>
-	-	49,159
-	-	59,193
-	-	16,677
-	-	21,908
-	-	3,054
-	-	895
<u>10,100</u>	<u>-</u>	<u>76,533</u>
<u>10,100</u>	<u>-</u>	<u>227,419</u>
2,799	10,438	556,141
-	(352,000)	(352,000)
-	(127,775)	(127,775)
-	489,415	494,441
<u>(5,026)</u>	<u>-</u>	<u>(225,263)</u>
<u>(5,026)</u>	<u>9,640</u>	<u>(210,597)</u>
(2,227)	20,078	345,544
253,724	430,587	1,347,596
<u>\$ 251,497</u>	<u>\$ 450,665</u>	<u>\$ 1,693,140</u>

(Concluded)

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
Special Revenue Fund - Police Ad Valorem
For the year ended October 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Ad Valorem Taxes	\$ 78,000	\$ 79,000	\$ 79,089	\$ 89
Interest	2,000	2,856	2,812	(44)
Total Revenues	<u>80,000</u>	<u>81,856</u>	<u>81,901</u>	<u>45</u>
Expenditures				
Public Safety:				
Police				
Other operating	28,460	11,710	16,717	(5,007)
Repairs and Maintenance	20,865	9,685	14,271	(4,586)
Supplies	6,000	6,500	6,501	(1)
Capital Outlays	14,700	34,000	41,560	(7,560)
Total Expenditures	<u>70,025</u>	<u>61,895</u>	<u>79,049</u>	<u>(17,154)</u>
Net Change in Fund Balances	<u>9,975</u>	<u>19,961</u>	<u>2,852</u>	<u>(17,109)</u>
Fund Balances, Beginning	<u>58,274</u>	<u>58,274</u>	<u>58,274</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 68,249</u>	<u>\$ 78,235</u>	<u>\$ 61,126</u>	<u>\$ (17,109)</u>

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
Special Revenue Fund - Street Ad Valorem
For the year ended October 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>GAAP Basis</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Ad Valorem Taxes	\$ 110,000	\$ 110,900	\$ 110,542	\$ (358)
Grants	-	135,785	-	(135,785)
Interest	5,000	7,100	10,974	3,874
Miscellaneous	-	-	(1,098)	(1,098)
Total Revenues	<u>115,000</u>	<u>253,785</u>	<u>120,418</u>	<u>(133,367)</u>
Expenditures				
Public Works	<u>76,075</u>	<u>134,275</u>	<u>1,074</u>	<u>133,201</u>
Total Expenditures	<u>76,075</u>	<u>134,275</u>	<u>1,074</u>	<u>133,201</u>
Excess Revenues (Expenditures)	<u>38,925</u>	<u>119,510</u>	<u>119,344</u>	<u>(166)</u>
Net Change in Fund Balances	<u>38,925</u>	<u>119,510</u>	<u>119,344</u>	<u>(166)</u>
Fund Balances, Beginning	<u>343,323</u>	<u>343,323</u>	<u>343,323</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 382,248</u>	<u>\$ 462,833</u>	<u>\$ 462,667</u>	<u>\$ (166)</u>

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
Special Revenue Fund - Equipment Sales Tax Fund
For the year ended October 31, 2006

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
Revenues				
Sales Taxes	\$ 200,000	\$ 215,400	\$ 216,146	\$ 746
Interest	1,000	1,200	1,249	49
Miscellaneous	(500)	(500)	-	500
Total Revenues	<u>200,500</u>	<u>216,100</u>	<u>217,395</u>	<u>1,295</u>
Expenditures				
General Government	6,145	3,280	17,420	(14,140)
Public Safety:				
Police	10,000	13,650	15,170	(1,520)
Fire	5,000	10,000	11,610	(1,610)
Public Works	13,000	19,100	20,834	(1,734)
Health and Welfare	-	-	3,054	(3,054)
Amortization	-	-	358	(358)
Capital Outlays	13,800	1,230	24,873	(23,643)
Total Expenditures	<u>47,945</u>	<u>47,260</u>	<u>93,319</u>	<u>(46,059)</u>
Excess Revenues (Expenditures)	<u>152,555</u>	<u>168,840</u>	<u>124,076</u>	<u>(44,764)</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	5,026	5,026
Operating Transfers (Out)	(107,500)	(97,500)	(97,883)	(383)
Total Other Financing Sources (Uses)	<u>(107,500)</u>	<u>(97,500)</u>	<u>(92,857)</u>	<u>4,643</u>
Net Change in Fund Balances	<u>45,055</u>	<u>71,340</u>	<u>31,219</u>	<u>(40,121)</u>
Fund Balances, Beginning	<u>(11,406)</u>	<u>(11,406)</u>	<u>(11,406)</u>	-
Fund Balances, Ending	<u>\$ 33,649</u>	<u>\$ 59,934</u>	<u>\$ 19,813</u>	<u>\$ (40,121)</u>

See independent auditor's report.

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
 Special Revenue Fund - Buildings and Facilities Sales Tax Fund
 For the year ended October 31, 2006

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
Revenues				
Sales Taxes	\$ 200,000	\$ 215,000	\$ 216,146	\$ 1,146
Interest	3,500	5,100	5,252	152
Total Revenues	<u>203,500</u>	<u>220,100</u>	<u>221,398</u>	<u>1,298</u>
Expenditures				
General Government	46,490	29,990	27,422	2,568
Public Safety:				
Police	3,000	6,500	6,534	(34)
Fire	5,000	5,000	5,067	(67)
Amortization	-	-	358	(358)
Total Expenditures	<u>54,490</u>	<u>41,490</u>	<u>39,381</u>	<u>2,109</u>
Excess Revenues (Expenditures)	<u>149,010</u>	<u>178,610</u>	<u>182,017</u>	<u>3,407</u>
Other Financing Sources (Uses)				
Operating Transfers (Out)	(121,600)	(121,600)	(122,354)	(754)
Total Other Financing Sources (Uses)	<u>(121,600)</u>	<u>(121,600)</u>	<u>(122,354)</u>	<u>(754)</u>
Net Change in Fund Balances	<u>27,410</u>	<u>57,010</u>	<u>59,663</u>	<u>2,653</u>
Fund Balances, Beginning	<u>108,989</u>	<u>108,989</u>	<u>108,989</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 136,399</u>	<u>\$ 165,999</u>	<u>\$ 168,652</u>	<u>\$ 2,653</u>

See independent auditor's report.

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
 Special Revenue Fund - Industrial Development Sales Tax Fund
 For the year ended October 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Sales Taxes	\$ 96,000	\$ 100,000	\$ 101,526	\$ 1,526
Interest	13,500	16,100	16,135	35
Total Revenues	<u>109,500</u>	<u>116,100</u>	<u>117,661</u>	<u>1,561</u>
Expenditures				
General Government	1,550	3,450	4,317	(867)
Amortization	-	-	179	(179)
Capital Outlays	-	250	-	250
Total Expenditures	<u>1,550</u>	<u>3,700</u>	<u>4,496</u>	<u>(796)</u>
Net Change in Fund Balances	<u>107,950</u>	<u>112,400</u>	<u>113,165</u>	<u>765</u>
Fund Balances, Beginning	<u>58,274</u>	<u>58,274</u>	<u>132,728</u>	<u>74,454</u>
Fund Balances, Ending	<u>\$ 166,224</u>	<u>\$ 170,674</u>	<u>\$ 245,893</u>	<u>\$ 75,219</u>

See independent auditor's report.

Town of Franklinton
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
 Special Revenue Fund - Rural Development Grant Fund
 For the year ended October 31, 2006

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 1,450	\$ 1,450
Miscellaneous	-	-	-	-
Total Revenues	-	-	1,450	1,450
Expenditures				
Capital Outlays	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	1,450	1,450
Fund Balances, Beginning	31,377	31,377	31,377	-
Fund Balances, Ending	<u>\$ 31,377</u>	<u>\$ 31,377</u>	<u>\$ 32,827</u>	<u>\$ 1,450</u>

See independent auditor's report.

Business-Type Funds

Proprietary Funds:

- Gas Utility System Fund -** To account for the provision of gas services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.
- Water Utility System Fund -** To account for the provision of water services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.
- Sewer Utility System Fund -** To account for the provision of sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Town of Franklinton
Comparative Schedule of Net Assets - Proprietary Fund Type
As of October 31, 2006 and 2005

	Enterprise Funds	
	2006	2005
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 225,599	\$ 190,173
Investments	1,721,660	1,532,631
Receivables, Net		
Accounts	256,188	343,896
Due From Other Funds	6,050	6,050
Inventory - Gas and Supplies	106,016	53,375
Bond Issue Costs, Net	7,030	7,306
Prepaid Insurance	27,176	35,342
Total Current Assets	<u>2,349,719</u>	<u>2,168,773</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents		
Customer Deposits	83,829	75,472
Bond Reserve Account	49,380	41,852
Bond Contingency Account	51,377	43,615
Bond Sinking Account	18,067	3,707
Construction Account	174,619	-
Restricted Investments - Customer Deposits	75,000	75,000
Total Restricted Assets	<u>452,272</u>	<u>239,646</u>
Property, Plant, and Equipment		
Land	3,300	3,300
Property, Plant and Equipment, Net	3,060,213	3,274,396
Construction in Progress	873,647	-
Total Property, Plant, and Equipment	<u>3,937,160</u>	<u>3,277,696</u>
Total Assets	<u>6,739,151</u>	<u>5,686,115</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	68,327	108,301
Compensated Absences Payable	8,990	8,991
Other Accrued Payables	53,374	19,596
Due To Other Funds	8,646	8,646
Total Current Liabilities (Payable From Current Assets)	<u>139,337</u>	<u>145,534</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	164,688	160,280
Revenue Bonds Payable	40,536	26,486
Interest Payable on Long Term Debt	7,125	-
Total Current Liabilities (Payable From Restricted Assets)	<u>212,349</u>	<u>186,766</u>
Long Term Liabilities:		
Bonds Payable	2,489,857	1,630,393
Compensated Absences Payable	34,423	37,294
Total Long Term Liabilities	<u>2,524,280</u>	<u>1,667,687</u>
Total Liabilities	<u>2,875,966</u>	<u>1,999,987</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,581,386	1,620,817
Restricted for:		
Capital Projects and Debt Service	105,840	79,366
Unrestricted	2,175,959	1,985,945
Total Net Assets	<u>\$ 3,863,185</u>	<u>\$ 3,686,128</u>
See independent auditor's report.		

Town of Franklinton
 Comparative Schedule of Revenues, Expenses and Changes in Net Assets
 Proprietary Fund Type
 For the years ended October 31, 2006 and 2005

	<u>Enterprise Funds</u>	
	<u>2006</u>	<u>2005</u>
Operating Revenues		
Gas Sales	\$ 1,347,855	\$ 1,197,969
Less Cost of Gas Sold	(1,076,055)	(836,071)
Gross Profit on Gas Sales	271,800	361,898
Water Sales	442,332	389,755
Sewer Service Charges	450,499	429,675
Other	28,407	8,147
Total Operating Revenues	<u>1,193,038</u>	<u>1,189,475</u>
Operating Expenses		
Depreciation	333,956	333,011
Employee Benefits	80,576	89,534
Insurance	108,077	112,087
Repairs and Maintenance	87,940	13,877
Professional Fees	61,139	73,044
Salaries and Wages	234,114	259,071
Supplies	116,073	135,376
Utilities	108,894	79,875
Other	100,186	97,910
Total Operating Expenses	<u>1,230,955</u>	<u>1,193,785</u>
Operating Income (Loss)	<u>(37,917)</u>	<u>(4,310)</u>
Nonoperating Revenues (Expenses)		
Unrealized Gain (Loss) on Investments	(212)	(11,666)
Realized Gain (Loss) on Investments	-	(20,765)
Interest Income	109,306	80,801
Interest Expense	(81,829)	(83,097)
Total Nonoperating Revenues (Expenses)	<u>27,265</u>	<u>(34,727)</u>
Income (Loss) Before Contributions and Transfers	<u>(10,652)</u>	<u>(39,037)</u>
Contributions and Transfers		
Capital Contributions	100,000	-
Operating Transfers In	117,709	-
Operating Transfers Out	(30,000)	(317,843)
Change in Net Assets	<u>177,057</u>	<u>(356,880)</u>
Total Net Assets, Beginning	<u>3,686,128</u>	<u>4,043,008</u>
Total Net Assets, Ending	<u>\$ 3,863,185</u>	<u>\$ 3,686,128</u>

See independent auditor's report.

Town of Franklinton
Comparative Schedule of Cash Flows
Proprietary Fund Type
For the years ended October 31, 2006 and 2005

	Enterprise Funds	
	2006	2005
Cash Flows From Operating Activities		
Received From Customers	\$ 2,328,394	\$ 1,923,960
Received for Meter Deposit Fees	4,408	4,736
Other Receipts	28,407	-
Payments for Operations	(1,708,765)	(1,234,910)
Payments to Employees	(317,555)	(341,531)
Net Cash Provided by Operating Activities	<u>334,889</u>	<u>352,255</u>
Cash Flows From Noncapital Financing Activities		
Transfers From (To) Other Funds	<u>87,709</u>	<u>(317,843)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>87,709</u>	<u>(317,843)</u>
Cash Flows From Capital and Related Financing Activities		
Capital Contributions Received	100,000	-
(Payments for) Capital Acquisitions	(993,420)	(49,628)
Principal Proceeds from (Repayments for) Long Term Debt	873,514	(25,208)
Interest Payments for Long Term Debt	<u>(74,704)</u>	<u>(83,097)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(94,610)</u>	<u>(157,933)</u>
Cash Flows From Investing Activities		
Receipt of Interest	109,305	80,794
Proceeds from sale (Payments) for Investments	<u>(189,241)</u>	<u>(311,074)</u>
Net Cash (Used) by Investing Activities	<u>(79,936)</u>	<u>(230,280)</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	248,052	(353,801)
Cash and Cash Equivalents, Beginning of Year	<u>354,819</u>	<u>708,620</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 602,871</u></u>	<u><u>\$ 354,819</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:		
Cash and Cash Equivalents, Unrestricted	\$ 225,599	\$ 190,173
Cash and Cash Equivalents, Restricted	<u>377,272</u>	<u>164,646</u>
Total Cash and Cash Equivalents	<u><u>\$ 602,871</u></u>	<u><u>\$ 354,819</u></u>

(Continued)

See independent auditor's report.

Town of Franklinton
 Comparative Schedule of Cash Flows
 Proprietary Fund Type
 For the years ended October 31, 2006 and 2005

	Enterprise Funds	
	2006	2005
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ (37,917)	\$ (4,310)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities:		
Depreciation and amortization	334,232	333,011
(Increase) Decrease in Accounts Receivable	87,708	(101,583)
(Increase) Decrease in Inventory	(52,641)	62,177
(Increase) Decrease in Prepaid Insurance	8,166	(884)
(Increase) Decrease in Due (to) and from Other Funds	-	7,932
Increase (Decrease) in Accounts Payable	(39,974)	35,446
Increase (Decrease) in Compensated Absences	(2,872)	7,074
Increase (Decrease) in Accrued Expenses	33,779	8,656
Increase (Decrease) in Customer Deposits	4,408	4,736
Net Cash Provided by Operating Activities	<u>\$ 334,889</u>	<u>\$ 352,255</u>

(Concluded)

See independent auditor's report.

Town of Franklinton
Combining Schedule of Net Assets, Proprietary Fund Type, Utility Funds
For the year ended October 31, 2006

	Gas	Water	Sewer	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 61,799	\$ 33,573	\$ 130,227	\$ 225,599
Investments	874,666	381,872	465,122	1,721,660
Accounts Receivables, Net	120,784	68,425	66,979	256,188
Due From Other Funds	5,000	-	1,050	6,050
Inventory - Gas and Supplies	70,958	10,381	24,677	106,016
Bond Issue Cost, Net	-	-	7,030	7,030
Prepaid Insurance	9,059	9,059	9,058	27,176
Total Current Assets	<u>1,142,266</u>	<u>503,310</u>	<u>704,143</u>	<u>2,349,719</u>
Restricted Assets:				
Restricted Cash and Cash Equivalents				
Customer Deposits	26,876	56,953	-	83,829
Bond Reserve Account	-	41,051	8,329	49,380
Bond Contingency Account	-	43,048	8,329	51,377
Bond Sinking Account	-	780	17,287	18,067
Construction Account	-	-	174,619	174,619
Restricted Investments - Customer Deposits	50,000	25,000	-	75,000
Total Restricted Assets	<u>76,876</u>	<u>166,832</u>	<u>208,564</u>	<u>452,272</u>
Property, Plant, and Equipment				
Land	-	3,300	-	3,300
Property, Plant and Equipment, Net	115,272	812,079	2,132,862	3,060,213
Construction in Progress	-	-	873,647	873,647
Total Property, Plant, and Equipment	<u>115,272</u>	<u>815,379</u>	<u>3,006,509</u>	<u>3,937,160</u>
Total Assets	<u>1,334,414</u>	<u>1,485,521</u>	<u>3,919,216</u>	<u>6,739,151</u>
Liabilities				
Current Liabilities (Payable From Current Assets):				
Accounts Payable	45,957	14,762	7,608	68,327
Compensated Absences Payable	5,844	2,935	211	8,990
Other Accrued Payables	7,835	2,126	43,413	53,374
Due To Other Funds	7,932	714	-	8,646
Total Current Liabilities (Payable From Current Assets)	<u>67,568</u>	<u>20,537</u>	<u>51,232</u>	<u>139,337</u>
Current Liabilities (Payable From Restricted Assets):				
Customer Deposits	78,496	86,192	-	164,688
Revenue Bonds Payable	-	29,924	10,612	40,536
Interest Payable on Long Term Debt	-	-	7,125	7,125
Total Current Liabilities (Payable From Restricted Assets)	<u>78,496</u>	<u>116,116</u>	<u>17,737</u>	<u>212,349</u>
Long Term Liabilities:				
Bonds Payable	-	1,081,185	1,408,672	2,489,857
Compensated Absences Payable	18,499	14,605	1,319	34,423
Total Long Term Liabilities	<u>18,499</u>	<u>1,095,790</u>	<u>1,409,991</u>	<u>2,524,280</u>
Total Liabilities	<u>164,563</u>	<u>1,232,443</u>	<u>1,478,960</u>	<u>2,875,966</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	115,272	(295,730)	1,761,844	1,581,386
Restricted for:				
Capital Projects and Debt Service	(1,620)	80,640	26,820	105,840
Unrestricted	1,056,199	468,168	651,592	2,175,959
Total Net Assets	<u>\$ 1,169,851</u>	<u>\$ 253,078</u>	<u>\$ 2,440,256</u>	<u>\$ 3,863,185</u>

See independent auditor's report.

Town of Franklinton
 Combining Schedule of Revenues, Expenses and Changes in Net Assets
 Proprietary Fund Type, Utility Funds
 For the year ended October 31, 2006

	Gas	Water	Sewer	Total
Operating Revenues				
Gas Sales	\$ 1,347,855	\$ -	\$ -	\$ 1,347,855
Less Cost of Gas Sold	(1,076,055)	-	-	(1,076,055)
Gross Profit on Gas Sales	271,800	-	-	271,800
Water Sales	-	442,332	-	442,332
Sewer Service Charges	-	-	450,499	450,499
Other	854	18,753	8,800	28,407
Total Operating Revenues	272,654	461,085	459,299	1,193,038
Operating Expenses				
Depreciation	26,107	71,241	236,608	333,956
Employee Benefits	32,359	26,568	21,649	80,576
Insurance	46,849	27,367	33,861	108,077
Repairs and Maintenance	-	51,844	36,096	87,940
Professional Fees	9,043	9,043	43,053	61,139
Salaries and Wages	100,627	75,562	57,925	234,114
Supplies	34,654	49,072	32,347	116,073
Utilities	-	41,513	67,381	108,894
Other	48,467	35,445	16,274	100,186
Total Operating Expenses	298,106	387,655	545,194	1,230,955
Operating Income (Loss)	(25,452)	73,430	(85,895)	(37,917)
Nonoperating Revenues (Expenses)				
Unrealized Gain (Loss) on Investments	(210)	(2)	-	(212)
Interest Income	42,170	24,935	42,201	109,306
Interest Expense	-	(56,900)	(24,929)	(81,829)
Total Nonoperating Revenues (Expenses)	41,960	(31,967)	17,272	27,265
Income (Loss) Before Contributions and Transfers	16,508	41,463	(68,623)	(10,652)
Contributions and Transfers				
Capital Contributions	-	-	100,000	100,000
Operating Transfers In	21,177	44,736	51,796	117,709
Operating Transfers Out	(10,000)	(10,000)	(10,000)	(30,000)
Change in Net Assets	27,685	76,199	73,173	177,057
Total Net Assets, Beginning	1,142,166	176,879	2,367,083	3,686,128
Total Net Assets, Ending	\$ 1,169,851	\$ 253,078	\$ 2,440,256	\$ 3,863,185

See independent auditor's report.

Town of Franklinton
Combining Schedule of Cash Flows by Department
Proprietary Fund Type
For the year ended October 31, 2006

	Gas	Water	Sewer	Total
Cash Flows From Operating Activities				
Received From Customers	\$ 1,440,109	\$ 436,562	\$ 451,723	\$ 2,328,394
Received for Meter Deposit Fees	999	3,409	-	4,408
Other Receipts	854	18,753	8,800	28,407
Payments for Operations	(1,314,086)	(205,105)	(189,574)	(1,708,765)
Payments to Employees	(126,027)	(103,688)	(87,840)	(317,555)
Net Cash Provided by Operating Activities	1,849	149,931	183,109	334,889
Cash Flows From Noncapital Financing Activities				
Transfers From (To) Other Funds	11,177	34,736	41,796	87,709
Net Cash Provided (Used) by Noncapital Financing Activities	11,177	34,736	41,796	87,709
Cash Flows From Capital and Related Financing Activities				
Capital Contributions Received	-	-	100,000	100,000
(Payments for) Capital Acquisitions	(2,808)	(30,332)	(960,280)	(993,420)
Principal Proceeds from (Repayments for) Long Term Debt	-	(16,327)	889,841	873,514
Interest Payments for Long Term Debt	-	(56,900)	(17,804)	(74,704)
Net Cash Provided (Used) by Capital and Related Financing	(2,808)	(103,559)	11,757	(94,610)
Cash Flows From Investing Activities				
Receipt of Interest	42,170	24,935	42,200	109,305
Proceeds from sale (Payments) for Investments	(66,286)	(57,212)	(65,743)	(189,241)
Net Cash Provided (Used) by Investing Activities	(24,116)	(32,277)	(23,543)	(79,936)
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(13,898)	48,831	213,119	248,052
Cash and Cash Equivalents, Beginning of Year	102,573	126,574	125,672	354,819
Cash and Cash Equivalents, End of Year	\$ 88,675	\$ 175,405	\$ 338,791	\$ 602,871
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and Cash Equivalents, Unrestricted	\$ 61,799	\$ 33,573	\$ 130,227	\$ 225,599
Cash and Cash Equivalents, Restricted	26,876	141,832	208,564	377,272
Total Cash and Cash Equivalents	\$ 88,675	\$ 175,405	\$ 338,791	\$ 602,871

(Continued)

See independent auditor's report.

Town of Franklinton
Combining Schedule of Cash Flows by Department
Proprietary Fund Type
For the year ended October 31, 2006

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash				
Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (25,452)	\$ 73,430	\$ (85,895)	\$ (37,917)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and amortization	26,107	71,241	236,884	334,232
(Increase) decrease in Accounts Receivable	92,254	(5,770)	1,224	87,708
(Increase) decrease in Inventory	(42,588)	(2,997)	(7,056)	(52,641)
(Increase) decrease in Prepaid Insurance	7,021	369	776	8,166
Increase (decrease) in Accounts Payable	(60,074)	14,392	5,708	(39,974)
Increase (Decrease) in Compensated Absences	5,108	(636)	(7,344)	(2,872)
Increase (decrease) in Accrued Expenses	(1,526)	(3,507)	38,812	33,779
Increase (decrease) in Customer Deposits	999	3,409	-	4,408
Net Cash Provided by Operating Activities	<u>\$ 1,849</u>	<u>\$ 149,931</u>	<u>\$ 183,109</u>	<u>\$ 334,889</u>

(Concluded)

See independent auditor's report.

Town of Franklinton
Schedule of Revenues, Expenses and Changes in Net Assets
Budget (GAAP Basis) and Actual, Proprietary Fund Type, Gas Utility System
For the year ended October 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Gas Sales	\$ 1,430,000	\$ 1,347,855	\$ (82,145)
Less Cost of Gas Sold	(1,210,320)	(1,076,055)	134,265
Gross Profit on Gas Sales	219,680	271,800	52,120
Other	825	854	29
Total Operating Revenues	<u>220,505</u>	<u>272,654</u>	<u>52,149</u>
Operating Expenses			
Bad Debts	750	751	(1)
Depreciation	30,000	26,107	3,893
Employee Benefits	35,800	32,359	3,441
Insurance	44,200	46,849	(2,649)
Professional Fees	9,000	9,043	(43)
Salaries and Wages	102,850	100,627	2,223
Supplies	47,800	34,654	13,146
Other	46,800	47,716	(916)
Total Operating Expenses	<u>317,200</u>	<u>298,106</u>	<u>19,094</u>
Operating Income (Loss)	<u>(96,695)</u>	<u>(25,452)</u>	<u>71,243</u>
Nonoperating Revenues (Expenses)			
Unrealized Gain (Loss) on Investments	-	(210)	(210)
Realized Gain (Loss) on Investments	-	-	-
Interest Income	7,800	42,170	34,370
Interest Expense	-	-	-
Total Nonoperating Revenues (Expenses)	<u>7,800</u>	<u>41,960</u>	<u>34,160</u>
Income (Loss) Before Contributions and Transfers	<u>(88,895)</u>	<u>16,508</u>	<u>105,403</u>
Contributions and Transfers			
Capital Contributions	-	-	-
Operating Transfers In	-	21,177	21,177
Operating Transfers Out	(10,000)	(10,000)	-
Change in Net Assets	<u>(98,895)</u>	<u>27,685</u>	<u>126,580</u>
Total Net Assets, Beginning	<u>1,142,166</u>	<u>1,142,166</u>	<u>-</u>
Total Net Assets, Ending	<u>\$ 1,043,271</u>	<u>\$ 1,169,851</u>	<u>\$ 126,580</u>

See independent auditor's report.

Town of Franklinton
 Schedule of Revenues, Expenses and Changes in Net Assets
 Budget (GAAP Basis) and Actual, Proprietary Fund Type, Water Utility System
 For the year ended October 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water Sales	\$ 420,034	\$ 442,332	\$ 22,298
Other	18,600	18,753	153
Total Operating Revenues	<u>438,634</u>	<u>461,085</u>	<u>22,451</u>
Operating Expenses			
Bad Debts	12	12	-
Depreciation	57,400	71,241	(13,841)
Employee Benefits	23,600	26,568	(2,968)
Insurance	24,700	27,367	(2,667)
Repairs and Maintenance	51,800	51,844	(44)
Professional Fees	9,000	9,043	(43)
Salaries and Wages	79,600	75,562	4,038
Supplies	42,100	49,072	(6,972)
Utilities	39,000	41,513	(2,513)
Other	64,500	35,433	29,067
Total Operating Expenses	<u>391,712</u>	<u>387,655</u>	<u>4,057</u>
Operating Income (Loss)	<u>46,922</u>	<u>73,430</u>	<u>26,508</u>
Nonoperating Revenues (Expenses)			
Unrealized Gain (Loss) on Investments	-	(2)	(2)
Realized Gain (Loss) on Investments	-	-	-
Interest Income	7,900	24,935	17,035
Interest Expense	(56,175)	(56,900)	(725)
Total Nonoperating Revenues (Expenses)	<u>(48,275)</u>	<u>(31,967)</u>	<u>16,308</u>
Income (Loss) Before Contributions and Transfers	<u>(1,353)</u>	<u>41,463</u>	<u>42,816</u>
Contributions and Transfers			
Capital Contributions	-	-	-
Operating Transfers In	-	44,736	44,736
Operating Transfers Out	(10,000)	(10,000)	-
Change in Net Assets	<u>(11,353)</u>	<u>76,199</u>	<u>87,552</u>
Total Net Assets, Beginning	<u>176,879</u>	<u>176,879</u>	<u>-</u>
Total Net Assets, Ending	<u>\$ 165,526</u>	<u>\$ 253,078</u>	<u>\$ 87,552</u>

See independent auditor's report.

Town of Franklinton
 Schedule of Revenues, Expenses and Changes in Net Assets
 Budget (GAAP Basis) and Actual, Proprietary Fund Type, Sewer Utility System
 For the year ended October 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Sewer Charges	\$ 446,100	\$ 450,499	\$ 4,399
Other	8,800	8,800	-
Total Operating Revenues	<u>454,900</u>	<u>459,299</u>	<u>4,399</u>
Operating Expenses			
Depreciation	81,600	236,608	(155,008)
Employee Benefits	24,150	21,649	2,501
Insurance	31,000	33,861	(2,861)
Repairs and Maintenance	36,000	36,096	(96)
Professional Fees	45,200	43,053	2,147
Salaries and Wages	60,000	57,925	2,075
Supplies	33,500	32,347	1,153
Utilities	63,500	67,381	(3,881)
Other	73,940	16,274	57,666
Total Operating Expenses	<u>448,890</u>	<u>545,194</u>	<u>(96,304)</u>
Operating Income (Loss)	<u>6,010</u>	<u>(85,895)</u>	<u>(91,905)</u>
Nonoperating Revenues (Expenses)			
Unrealized Gain (Loss) on Investments	-	-	-
Realized Gain (Loss) on Investments	-	-	-
Interest Income	7,000	42,201	35,201
Interest Expense	(21,250)	(24,929)	(3,679)
Total Nonoperating Revenues (Expenses)	<u>(14,250)</u>	<u>17,272</u>	<u>31,522</u>
Income (Loss) Before Contributions and Transfers	<u>(8,240)</u>	<u>(68,623)</u>	<u>(60,383)</u>
Contributions and Transfers			
Capital Contributions	-	100,000	100,000
Operating Transfers In	-	51,796	51,796
Operating Transfers Out	(10,000)	(10,000)	-
Change in Net Assets	<u>(18,240)</u>	<u>73,173</u>	<u>91,413</u>
Total Net Assets, Beginning	<u>2,367,083</u>	<u>2,367,083</u>	<u>-</u>
Total Net Assets, Ending	<u>\$ 2,348,843</u>	<u>\$ 2,440,256</u>	<u>\$ 91,413</u>

See independent auditor's report.

Schedule 21

Town of Franklinton
 Schedule of Gas, Water and Sewer Rates
 Proprietary Fund Type
 For the year ended October 31, 2006

Gas

Residential Rates	Commercial Rates
\$ 6.000 - First 500 Cubic Feet	\$ 6.500 - First 500 Cubic Feet
\$ 0.877 - Per 100 Cubic Feet for Next 3,500 Cubic Feet	\$ 0.904 - Per 100 Cubic Feet for Next 9,500 Cubic Feet
\$ 0.868 - Per 100 Cubic Feet for Next 16,000 Cubic Feet	\$ 0.886 - Per 100 Cubic Feet for Next 30,000 Cubic Feet
\$ 0.832 - Per 100 Cubic Feet for all over 20,000 Cubic Feet	\$ 0.868 - Per 100 Cubic Feet for all over 40,000 Cubic Feet
Industrial Rates	
Based Price Per MCF Plus 67%	

Water

Residential Rates	Commercial Rates
\$ 13.00 - First 3,000 Gallons	\$ 20.00 - First 3,000 Gallons
\$ 1.00 - Per 1,000 Gallons of Water over 3,000 Gallons	\$ 1.00 - Per 1,000 Gallons of Water over 3,000 Gallons

Sewer

Residential Rates	Commercial Rates
\$ 14.00 - First 5,000 Gallons	\$ 18.00 - First 5,000 Gallons
\$ 2.00 - Per 1,000 Gallons of Water over 5,000 Gallons	\$ 1.00 - Per 1,000 Gallons of Water over 5,000 Gallons

Schedule of Number of Customers
 Proprietary Fund Type
 For the year ended October 31, 2006

	Residential	Commercial	Industrial	Total
Gas	826	203	3	1,032
Water	1,247	314	-	1,561
Sewer	1,203	359	-	1,562
Total	3,276	876	3	4,155

Commerical customers have a meter size larger than the residential size (3/4") = 24.

Town of Franklinton
Schedule of Insurance
For the year ended October 31, 2006

Insurance Company / Policy Number	Coverage	Amount	Period
Clarendon Insurance	Commercial Property	\$ 1,722,622	4/4/2006 to 4/4/2007
DSA017807,	General Liability (occure/aggreg)	1 ml/2ml	
DSA017808,	Commercial Automobile	1,000,000	
DSA017809	Inland Marine (Scheduled)	500,000	
Western Surety Company			
68486705	Fidelity Bond: Mayor	200,000	4/9/2006 to 4/9/2007
68486705	Fidelity Bond: Clerk	200,000	4/9/2006 to 4/9/2007
01166022A	Fidelity Bond: Limit each for Clerk, and two Assistant Clerks	15,000	9/14/2006 to 9/14/2007
Louisiana Workers Comp Corporation	Workers Compensation at Statutory Limitations:		11/15/2005 to 11/15/2006
LWCC 72437	Employers Liability (each accident)	100,000	
	Employees Liability (each accident)	100,000	
	Disease, Policy Limit		
Old Republic PR-149107	Airport Liability	1,000,000	2/19/2006 to 2/19/2007
Progressional Government	Law Enforcement Liability	1,000,000	4/4/2006 to 4/4/2007
0202-0509	Public Officials Errors & Omissions	1,000,000	
0202-0510			

Schedule 23

Town of Franklinton
Schedule of Compensation Paid to Board Members
For the year ended October 31, 2006

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>
Earle Brown, Mayor (985) 839-2175	1109 Lynnwood Franklinton, LA 70438	\$ 29,500
John L. Daniel, Alderman (985) 839-2382	309 10th Avenue Franklinton, LA 70438	6,000
Florence R. Manning, Alderwoman (985) 839-4291	P.O. Box 684 Franklinton, LA 70438	6,000
T.J. Butler, Aldermen (985) 839-3436	727 18th Avenue Franklinton, LA 70438	6,000
Wayne Flemming, Aldermen (985) 839-0173	1507 12th Avenue Franklinton, LA 70438	6,000
William Durden, Aldermen (985) 839-4413	820 11th Avenue Franklinton, LA 70438	6,000
		<u>\$ 59,500</u>

Terms end December 31, 2008 for Board Members

Single Audit Section



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members
of the Board of Aldermen
Town of Franklinton, Louisiana

We have audited the financial statements of Town of Franklinton, Louisiana, as of and for the year ended October 31, 2006, and have issued our report thereon dated March 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Franklinton, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Franklinton, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Franklinton, Louisiana's internal control over financial reporting.

A control deficiency exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We did note certain immaterial matters that we have reported to the management of the Town of Franklinton, Louisiana, in a separate letter dated March 1, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Franklinton, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs, as items 2006-2 and 2006-3.

The Town of Franklinton, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town of Franklinton, Louisiana's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the management of the Town of Franklinton, Louisiana, and the Legislative Auditor of the State of Louisiana, and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

March 1, 2007



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor Earle R. Brown
and Board of Alderman
Town of Franklinton, Louisiana
Washington Parish, Louisiana

Compliance

We have audited the compliance of the **TOWN OF FRANKLINTON, LOUISIANA** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended October 31, 2006. The **TOWN OF FRANKLINTON, LOUISIANA's** major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the **TOWN OF FRANKLINTON, LOUISIANA**. Our responsibility is to express an opinion on the **TOWN OF FRANKLINTON, LOUISIANA's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the **TOWN OF FRANKLINTON, LOUISIANA's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the **TOWN OF FRANKLINTON, LOUISIANA's** compliance with those requirements.

As discussed more fully in the finding and questioned cost 2006-1, the Town was denied reimbursement request from FEMA on a debris removal contract due to what FEMA considers to be an excessive rate charged on the contract. This reimbursement is included as a receivable in the accompanying financial statements.

In our opinion, except for the effects, if any, of the above paragraph, the **TOWN OF FRANKLINTON, LOUISIANA** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended October 31, 2006.

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5100 VILLAGE WALK, SUITE 202, COVINGTON, LA 70433-4012 • 985.892.5850 • FAX 985.892.5956

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Internal Control Over Compliance

The management of the **TOWN OF FRANKLINTON, LOUISIANA** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the **TOWN OF FRANKLINTON, LOUISIANA's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management, the Federal Emergency Management Agency, the Louisiana Legislative Auditor, and other federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Schitz, Schitz, Long & Ward

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March 1, 2007

TOWN OF FRANKLINTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED OCTOBER 31, 2006

Federal Grantor, Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>United States Department of Transportation</u>			
Formula Grants for Other Than Urbanized Areas			
Passed through to the Washington Parish Council on			
Aging from the Louisiana Department of			
Transportation and Development	20.509	LA-18-X021	30,466
	20.509	LA-37-X007	39,713
			<u>70,179</u>
<u>United States Department of Transportation</u>			
Temporary Assistance for Needy Families			
Passed through to the Washington Parish Council on			
Aging from the Louisiana Department of			
Social Services, Office of Family	93.558	LA-37-X009	17,913
<u>United States Department of Homeland Security</u>			
Public Assistance Grants			
Passed through the Louisiana Office of Emergency			
Preparedness			
Public Assistance Grants	97.036		6,922,150
<u>United States Department of Homeland Security</u>			
Law Enforcement Terrorism Prevention Grants			
Passed through the Louisiana Office of Emergency			
Preparedness			
Law Enforcement Terrorism Prevention Grants	97.067		<u>140,000</u>
<u>United States Department of Homeland Security</u>			
Assistance to Firefighters Grant Program			
Passed through the Louisiana Office of Emergency			
Preparedness			
Assistance to Firefighters Grant Program	97.044		<u>95,579</u>
Total Expenditures of Federal Awards			<u><u>7,245,821</u></u>
Cluster/Program Title	Federal CFDA Number		Amount Provided Subrecipients
Temporary Assistance for Needy Families	93.558	LA-37-X009	<u>17,913</u>
Total			17,913

Town of Franklinton

**Schedule of Findings and Questioned Cost
For the Year Ended October 31, 2006**

Section 1

Financial Statements

- | | |
|--|-------------|
| 1. Type of auditor's report | Unqualified |
| 2. Compliance and internal control over financial reporting | |
| 1. Material weaknesses identified | None |
| 2. Significant deficiencies identified not considered
to be material weaknesses | None |
| 3. Noncompliance material to the financial statements noted | Yes |
| 3. Management Letter | Yes |

Federal Awards

- | | |
|---|--------------------------|
| 4. Internal control over major programs | |
| Material weaknesses identified | None |
| Reportable conditions identified not considered
to be material weaknesses | None |
| 5. Type of auditor's report issued on compliance for major program | Qualified |
| 6. Audit findings disclosed that are required in accordance
with OMB A-133, Section 510a | Yes |
| 7. Identification of major programs
83.534 | Public Assistance Grants |
| 8. Dollar threshold used to distinguish between Type A and B programs | \$300,000 |
| 9. Auditee qualified as a low-risk auditee under OMB A-133 Section 530 | No |

Town of Franklinton

**Schedule of Findings and Questioned Cost
For the Year Ended October 31, 2006**

Section 2

2006-1 Noncompliance with FEMA regulations (CFDA 97.036)

Condition The Town issued a change order on its original debris removal contract to clear "Leaners and Hangers", which totaled \$2,224,765. FEMA has denied the reimbursement request the Town submitted for this amount stating that the prices used in the change order were deemed unreasonable. The Town has filed an appeal and at this time, no decision has been made on the appeal.

Cause The Town did not follow FEMA's request to bid a separate contract for the additional debris work

Criteria FEMA has the ability to set certain rates based on comparison to prices used in other locales.

**Questioned
Cost** Cannot be determined at this time

Recommendation The Town should exhaust the appeal process with FEMA.

**Management
Response** We feel that expenditures were made only to benefit the Town of Franklinton and we will continue the appeal process with FEMA.

2006 -2 Inadequate Collateralization of Bank Deposits

Condition A local bank failed to provide adequate pledging of securities for bank balances in excess of FDIC coverage. The deficiency was \$93,967.

Effect Violation of LRS 13:1219.

Criteria LRS 13:1219 requires all bank deposits in excess of FDIC coverage to be collateralized by securities owned by the bank.

Recommendation The Town should review its deposits monthly and compare to securities reports provided by the bank.

**Management
Response** We have contacted the bank and will monitor the pledging of securities on a monthly basis.

Town of Franklinton

**Schedule of Findings and Questioned Cost
For the Year Ended October 31, 2006**

Section 2 (Continued)

2006-3

Failure to Amend Budget

Condition

Actual revenues of the Streets and Drainage Ad Valorem Fund fell short of budgeted revenues resulting in an unfavorable variance of \$133,367 or 52%. Actual expenditures of the Police Ad Valorem Fund exceeded budgeted appropriations resulting in an unfavorable variance of \$17,154 or 27%. Also, actual expenditures of the Equipment Sales Tax Fund exceeded budgeted appropriations resulting in an unfavorable variance of \$46,442 or 32%.

Effect

Violation of LRS 39:1310.

Criteria

LRS 13:1310 requires the government to amend its budget when it sees that revenues are falling short of budget and expenditures are exceeding budget by more than 5%

Recommendation

The Town should review its budget to actual reports more frequently.

***Management
Response***

We have reviewed each of the budget findings. We feel that we will be able to control the budget process for the Streets and Drainage Ad Valorem Tax Fund as FEMA issues are settled. We will also more closely monitor the expenditures in the Equipment Sales Tax Fund. We will review the budget in detail before fiscal year end and will amend the budget as required.

Town of Franklinton

**Schedule of Findings and Questioned Cost
For the Year Ended October 31, 2006**

2005 - 1 Losses in Enterprise Funds

This finding has been resolved. The Utility Fund has net income in 2006 and complied with bond resolutions.

2005 - 2 Inadequate collateralization of bank deposits.

This finding has not been resolved. See 2006 - 2.



To the Honorable Earle R. Brown
And Board of Aldermen
Town of Franklinton, Louisiana

In planning and performing our audit of the financial statements of the Town of Franklinton (the Town) for the Period ended October 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants. Significant deficiencies involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control, that in our judgment, could adversely affect the Town of Franklinton's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Segregation of Duties

The employee, who processes the Town's payroll, also performs the incompatible function of preparing the bank reconciliation for the Town's payroll bank account. We recommend that the Town consider assigning the reconciliation of the payroll bank account to another employee.

Documentation of Hours Worked by Shop Employees

Currently, the foreman of the shop prepares a manual summary of hours worked and submits it to the employee who processes payroll. We recommend that instead, the foreman sign each time card and submit those to the employee who processes payroll. This will improve controls in that an employee outside of the shop may review the source documents for hours worked. We recommend that the Town institute procedures to ensure that each employee punches his or her own time card.

Documentation of Salaries and Pay Rates

The Town is in the process of creating personnel folders for each employee. We recommend that the pay rate for each employee as well as pay raises and other changes be supported by documentation which is approved by the appropriate level of management.

Reconciliation of Utility Accounts Receivable to the General Ledger

The Town uses a separate software to process its utility billings. The Town posts cash receipts to the utility revenue accounts on the general ledger. At the end of the year, the Town's accountant posts a journal entry adjusting utility receivables to the balance shown on reports generated by the utility software. To improve controls over billings, we recommend that the Town posts the amount billed to accounts receivable on the general ledger monthly. Then the Town should posts daily deposits as credits to the accounts receivable account. Monthly, the Town should reconcile the balance of accounts receivable in the general ledger to the reports generated by the utility software.

This report is intended solely for the information and use of the Board of Aldermen, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



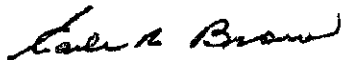
A Professional Accounting Corporation

March 1, 2007

Also, the responses to the additional items noted the Management Letter dated March 1, 2007 are as follows:

1. The employee, who processes the Town's payroll, also performs the incompatible function of preparing the bank reconciliation for the Town's payroll bank account. We will consider assigning the reconciliation of the payroll bank account to another employee.
2. Currently, the foreman of the shop prepares a manual summary of hours worked and submits it to the employee who processes payroll. To improve controls we will have the foreman sign each time card and submit those to the employee who processes payroll. Also, we will institute controls ensuring that each employee stamps their on time card.
3. The Town is in the process of creating personnel folders for each employee. In the future, the Town will document any personnel changes and maintain these changes in the personnel folders.
4. The Town uses separate software to process its utility billings. The Town posts cash receipts to the utility revenue accounts on the general ledger. At the end of the year, the Town's accountant posts a journal entry adjusting utility receivables to the balance shown on reports generated by the utility software. To improve controls over billings, we will post the amount billed to accounts receivable on the general ledger monthly and then post daily deposits as credits to the accounts receivable account. In addition, we will reconcile the balance of accounts receivable in the general ledger to the reports generated by the utility software on a monthly basis.

Sincerely,



Earle Brown
Mayor